



NATIONAL BANK OF THE KYRGYZ REPUBLIC

ANNUAL REPORT

2013



Annual Report of the National Bank of the Kyrgyz Republic for 2013

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On issues related to the content of this publication, please contact:

T. Umetaliev Street, 101, Bishkek
National Bank of the Kyrgyz Republic
Publications Issue Division
Phone: (996 312) 669 115
Fax: (996 312) 610 730
E-mail: nsyrдыbaeva@nbkr.kg

On issues related to dissemination of this publication, please contact:

T. Umetaliev Street, 101, Bishkek
National Bank of the Kyrgyz Republic
Public Relations and Protocol Division
Phone: (996 312) 614 578
Fax: (996 312) 610 730
E-mail: pr@nbkr.kg
Web site: <http://www.nbkr.kg>

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The 2013 was marked with 20th Anniversary of the National Currency of the Kyrgyz Republic – the Kyrgyz som. The decision made in 1993 on introduction of own currency became the initial point in the course of formation of an independent monetary policy. Within the Anniversary the National Bank of the Kyrgyz Republic carried out a number of events of the international and republican scale, information about them is provided in this Annual Report.

In reporting year, the National Bank in cooperation with the Government continued its work on achievement and maintenance of macroeconomic stability in the country. Macroeconomic stability is a key target of the National Strategy for Sustainable Development of the Kyrgyz Republic for 2013-2017. One of important achievements of 2013 in this direction was keeping inflation within single-digit number during the whole year. Pursued monetary policy allowed preserving moderate growth rates of an overall price level, which contributed to rehabilitation of economic growth in the country.

In 2013 the banking system of the Kyrgyz Republic was characterized by the upward trend, having shown the stability and growth of the main indicators. In reporting year, the Main Guidelines of the Banking Sector Development for 2014-2017, which include measures stipulated by the National Strategy for Sustainable Development of the Kyrgyz Republic, were developed and approved.

The regulatory and legal acts meant for minimization of risks, protection of consumers' rights, increase of transparency and availability of financial services were reconsidered and developed within improvement of supervision and regulation of activity carried out by financial-credit institutions.

Implementation of measures of the State Program to Increase the Share of Non-Cash Payments and Settlements in the Kyrgyz Republic was carried out in the reporting year. As a result, significant growth of issued bank payment cards was achieved, the number of card transactions, non-cash payments and access of the population to payment services increased.

The Annual Report of the National Bank of the Kyrgyz Republic for 2013 was prepared in accordance with the Law "On the National Bank of the Kyrgyz Republic" reflects activity of the central bank of the country on implementation of its functions and includes financial statement approved by an independent international audit.

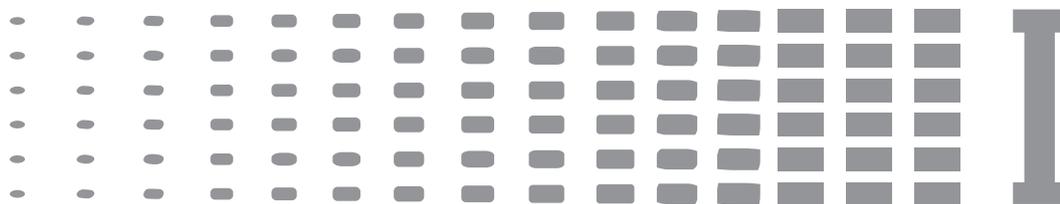
The National Bank traditionally adhered to principles of openness, reliability and completeness of information in preparing this publication.

Sincerely Yours,

Governor



Asankojoeva Z.M.



ECONOMIC SITUATION IN THE KYRGYZ REPUBLIC

CHAPTER 1. ECONOMIC DEVELOPMENT OF THE KYRGYZ REPUBLIC IN 2013

1.1. Real Sector of Economy¹

In 2013, significant economic growth was observed in the Kyrgyz Republic. According to preliminary data of the National Statistics Committee of the Kyrgyz Republic (NSC) in 2013 the volume of GDP in real terms increased by 10.5 percent against the decrease of the similar indicator by 0.1 percent in 2012. The growth was mainly conditioned by rehabilitation of production at the Kumtor gold mining enterprises. Excluding the Kumtor gold mining enterprises, growth of GDP in Kyrgyzstan remained approximately at the level of 2012 and amounted to 5.8 percent (in 2012, the increase was 6.3 percent). The nominal volume of GDP amounted to KGS 350.0 billion. GDP deflator amounted to 2.0 percent against 8.7 percent in 2012.

Table 1.1.1.

Gross Domestic Product Structure

	2012			2013		
	Share, in percent	Growth rate, in percent	Contribution to growth, percentage points	Share, in percent	Growth rate, in percent	Contribution to growth, percentage points
GDP	100.0	-0.1	-0.1	100.0	10.5	10.5
Agriculture	16.7	1.2	0.2	15.2	2.9	0.5
Industry	15.7	-20.8	-4.7	16.1	34.5	5.4
<i>Mining</i>	0.9	37.6	0.3	0.7	-4.6	-0.04
<i>Manufacturing</i>	12.1	-28.0	-5.1	13.4	45.4	5.5
<i>Generation and distribution of electricity, gas and water</i>	2.7	5.2	0.2	2.0	-1.7	-0.05
Construction	6.5	29.7	1.5	6.8	12.4	0.8
Trade, repairs of motor vehicles	16.0	10.7	1.6	16.1	7.0	1.1
Transport and communications	9.2	9.4	0.8	9.5	12.3	1.1
Others	22.9	2.5	0.5	22.0	0.9	0.2
<i>Hotels and restaurants</i>	1.4	11.7	0.2	1.5	11.1	0.2
<i>Financing</i>	0.6	4.1	0.02	0.5	3.7	0.02
<i>Real estate activities</i>	4.4	-0.4	-0.02	4.1	-1.8	-0.1
<i>Public administration</i>	5.1	1.6	0.1	5.1	-1.2	-0.1
<i>Education</i>	6.0	4.8	0.3	5.6	1.0	0.1
<i>Health and social services</i>	3.5	1.3	0.04	3.4	2.1	0.1
<i>Public utilities</i>	1.9	-0.5	-0.01	1.8	1.6	0.03
Net taxes on products (net of subsidies)	13.1	-0.1	-0.01	14.4	10.5	1.4

Source: NSC KR

Industrial production

Rehabilitation of production in manufacturing industry mainly created conditions for significant growth of GDP in 2013. Thus, the physical volume of industrial output increased by 34.5 percent and amounted to KGS 164.8 billion. The share of industrial output of the Kumtor gold mining enterprises in the sector of industry was 48.2 percent. Contribution of the industrial production to economic growth was positive

¹ Preliminary data.

and comprised 5.4 percentage points (contribution of the same indicator in 2012 was negative and comprised 4.7 percentage points).

Excluding the Kumtor gold mining enterprises, the increase of industrial output totaled to 3.5 percent in 2013. Growth of the physical volume of output was observed in leather and leather goods manufacturing, and shoe making (43.3 percent), in chemical industry (29.0 percent), and in wood processing and woodwork manufacturing (24.5 percent).

The share of industry in GDP structure amounted to 16.1 percent in 2013.

Favorable weather conditions in 2013 contributed to significant increase of production growth rates in agriculture. In 2013 the volume of gross agricultural output amounted to KGS 172.0 billion or 2.9 percent in real terms. Contribution to GDP growth of this sector was positive and constituted 0.5 percentage points, having increased by 0.3 percentage points compared to 2012.

Agriculture

Growth in the volume of gross production output was achieved through the increase in production of sugar beets (91.6 percent), wheat (51.6 percent), cereal crops (excluding grain legumes, rice and buckwheat) (27.5 percent), fruit and berry crops (4.9 percent), as well as through the expansion of planted area by 0.4 percent.

The volume of market services increased by 7.2 percent compared to 2012. As before, contribution to GDP growth of this sector remained positive and at the end of the year constituted 2.5 percentage points.

Trade and services sector

In 2013, the total volume of trade turnover, repairs of motor vehicles, household goods and personal use items increased by 7.0 percent compared to the same indicator in 2012. In the reporting period, there was observed an increase in all branches of this sector, particularly, turnover of engine oil retail trade increased by 13.7 percent, and retail trade, excluding motor vehicles and engine oil trade, increased by 7.5 percent. The volume of services rendered by hotels and restaurants increased by 11.1 percent. In the reporting year, freight transportation by all types of vehicles increased by 2.9 percent.

In 2013, total gross construction output amounted to KGS 70.7 billion, having increased by 12.4 percent in real terms against the growth of the same indicator by 29.7 percent in 2012. The construction sector made positive contribution to GDP formation by 0.8 percentage points. The increase in the volume of construction works was conditioned by ongoing growth in the volume of investments into the fixed capital.

Construction

Investments into fixed capital amounted to KGS 78.2 billion, having increased by 2.3 percent (in comparable prices). In 2012, the same indicator increased by 21.5 percent. The volume of investments into fixed capital increased at the objects of mining and manufacturing sector, and in the sphere of trade. In the structure of sources for financing investments into fixed capital, was observed an increase of investments financed from outside sources (by 10.7 percent) and decrease of investments from domestic sources (by 1.9 percent). The growth in investments from outside sources was conditioned by increase in foreign direct investments (by 1.8 times) and the growth of foreign loans (0.1 percent). Meanwhile, the reduction of investments financed by domestic sources was due to the decrease in financing provided by the enterprises and organizations by 2.8 percent.

Investments

1.2. Public Finance Sector¹

In 2013, the Government continued implementation of fiscal consolidation policy under conditions of existing risks of macro-fiscal vulnerability. Significant share of budget funds was still transferred to finance protected obligations, particularly, increase was observed in expenditures for remuneration of labor, subsidies and social benefits.

Fiscal policy

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

Meanwhile, despite insufficient receipt of tax revenues, improvement was observed in growth of total state budget revenues. As a result, following the results of the reporting year, the budget deficit decreased and according to the data of the Central Treasury it amounted to KGS 2.3 billion or 0.7 percent to GDP¹ (in 2012 the budget was implemented with a deficit of 6.5 percent to GDP).

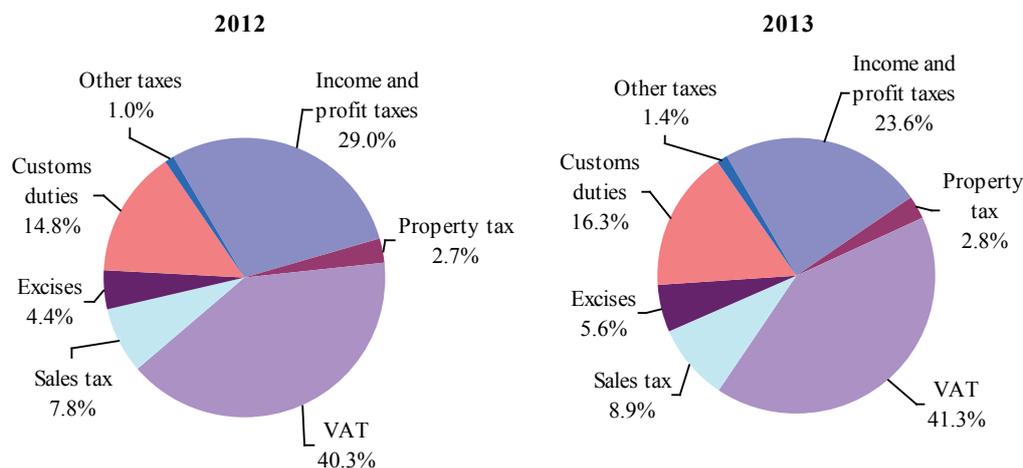
In 2013, state budget revenues from operating activities amounted to KGS 101.8 billion or 29.1 percent to GDP, having thus increased by 17.3 percent compared to the same indicator for 2012 (in 2012 – by 12.2 percent).

Tax revenues, which are the major contributors in the structure of revenues, amounted to KGS 72.8 billion, having thus increased by 14.0 percent compared to the similar indicator for 2012. Tax revenues were made up of receipts from the State Tax Service by 49.3 percent and from the State Customs Services – by 50.7 percent (in 2012, the distribution was 52.9 and 47.1 percent accordingly).

In accordance with the Law “On the National Bank of the Kyrgyz Republic” 70 percent of revenues of the National Bank or KGS 0.5 billion were transferred to the state budget in 2013.

Chart 1.2.1.

State Budget Tax Revenue Structure



Total expenditures of the state budget on operating activities amounted to KGS 86.6 billion in 2013, having thus decreased by 13.4 percent², (in 2012, expenditures increased by 21.4 percent). The expenditures ratio to GDP decreased from 32.2 percent in 2012 to 24.7 percent in 2013.

The structure of expenditures did not change much by economic classification. Similar to previous years, the main budget expenditure items corresponded to socially important activities. In 2013, budget expenditures on wages increased by 3.1 percent (in 2012 – by 13.5 percent), amounting to KGS 31.5 billion or 36.4 percent of the total state budget expenditures on operating activities. Expenditures on social benefits and subsidies increased by 18.8 percent and amounted to KGS 22.6 billion or 26.1 percent of the total expenditures on operating activities.

¹ According to recommendations of the Accounts Chamber, based on the results of audit of the report on implementation of republican Budget for 2012, the Ministry of Finance introduced amendments in the accounting of the Public Investment Program regarding on-lent funds, which were accounted since September 2013 as financial assets rather than expenditures and reflected in the sources for budget deficit repayment (source: Explanatory notes to the draft resolution of the Government of the Kyrgyz Republic On the draft Law of the KR “On introduction of amendments to the Law of the KR “On republican Budget of the KR for 2013 and forecasts for 2014-2015””).

² Primarily, due to change of methodology.

In the reporting period, as per the functional classification of budget expenditures, budget expenditures grew on the following categories: social protection – by 16.4 percent, defense, public order and security – by 14.0 percent, recreation, culture and religion – by 10.4 percent, health care – by 4.0 percent, public utility services – by 3.1 percent and education – by 0.1 percent. State budget expenditures on economic issues decreased by 82.7 percent¹, on general purpose public services and environment protection – by 1.2 and 0.1 percent respectively.

Surplus of state budget expenditures on procurement of nonfinancial assets over their sale in 2013 amounted to KGS 17.5 billion or 5.0 percent to GDP (in 2012 – 2.2 percent to GDP)².

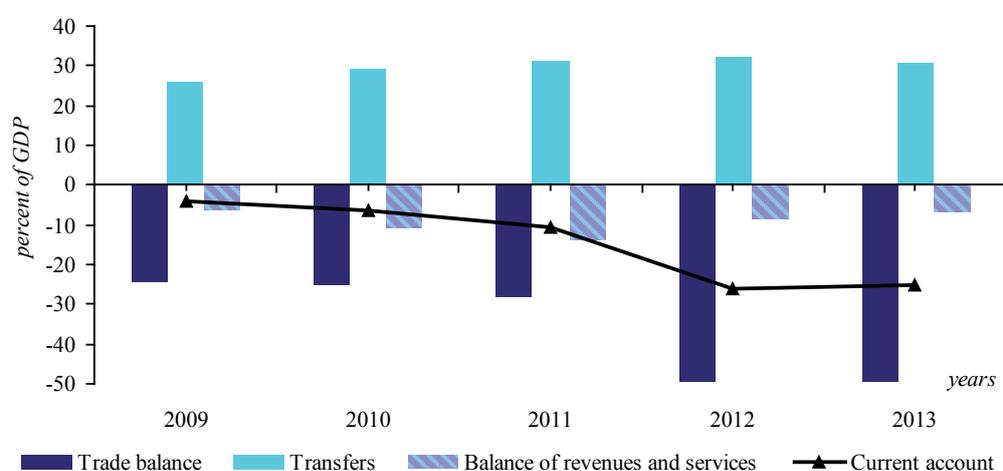
According to the Ministry of Finance of the Kyrgyz Republic as of the end of 2013 the external public debt equaled to USD 3.2 billion (in 2012 – USD 3.0 billion), and the domestic debt totaled to KGS 11.9 billion (in 2012 – KGS 13.0 billion). The public debt service expenditures amounted to KGS 14.1 billion or 4.0 percent to GDP, of which interest payments constituted 0.9 percent to GDP.

1.3. Balance of Payments of the Kyrgyz Republic³

According to results of 2013, the positive balance of payments amounted to USD 261.9 million, having thus increased by 38.4 percent within a year. Along with this, the current account status deteriorated, which ran a deficit of USD 1.8 billion or 25.2 percent to GDP by the end of 2013, while in 2012 the same indicator amounted to USD 1.7 billion or 25.9 percent to GDP.

Chart 1.3.1.

Current Account



Outstripping growth of import of goods versus export conditioned increase of the trade deficit by 11.0 percent (up to USD 3.6 billion).

Foreign trade status

Export of goods increased by 4.8 percent over the reporting year and amounted to USD 2.0 billion. Gold remains the decisive export item; its cost volume increased by 31.0 percent due to growth in physical volumes of supply. Herewith, export, excluding gold, decreased by 5.8 percent and amounted to USD 1.3 billion. Decrease was observed in

¹ Primarily, due to change of methodology.

² GDP summary indicator for 2012 was used in calculations.

³ Preliminary data.

supplies of motor vehicles for transportation of freight and special purpose automobiles¹ (by 61.7 percent), articles of clothing and clothing accessories (by 30.2 percent), ore and concentrate of noble metals (by 66.2 percent), electricity (by 63.7 percent) and other goods.

Imports (in FOB prices) exceeded USD 5.6 billion over the reporting year, having thus increased by 8.7 percent. The key factor contributing to growth of imports was increase in the physical volume of imported oil products, which resulted in the increase of their cost volume by 12.9 percent. There was also the increase in the volume of import of used automobiles (by 20.2 percent), constructions from cast iron, steel and aluminum (by 2.7 times), cast iron and steel (by 22.2 percent), motor vehicles and vehicles for transportation of people (by 2.3 times) and other goods.

The increase in export (by 29.3 percent) and import (by 7.9 percent) of services was observed in the reporting year. Herewith, the item “travel” had decisive impact on dynamics of services, under which export and import increased by 76.3 and 56.1 percent accordingly. As a result, the balance of services deficit decreased by 49.9 percent (up to USD 178.5 million).

Remittances

The net inflow of current transfers amounted to USD 2.2 billion, having thus increased by 7.8 percent compared to the same indicator for 2012. Significant volume of currency receipts in the structure of current transfers was provided by remittances of migrant workers. In the end of 2013, net inflow of money transfers exceeded USD 2.1 billion (including net inflow of remittances sent by individuals through money transfer systems in the amount of USD 1.9 billion), having thus increased by 7.7 percent compared to the same indicator of the previous year.

The negative balance of revenues increased by 76.1 percent (up to USD 298.2 million), which was mainly caused by the increase in income of foreign direct investors received from the investment activity in the Kyrgyz Republic.

Capital account status

According to the results of the year 2013, the capital and financial transaction account was formed positive and totaled USD 1.1 billion, having exceeded the same indicator for 2012 by 11.1 percent.

Major share of receipts on the financial account was provided by the capital inflow under the items “direct investments” and “other investments”.

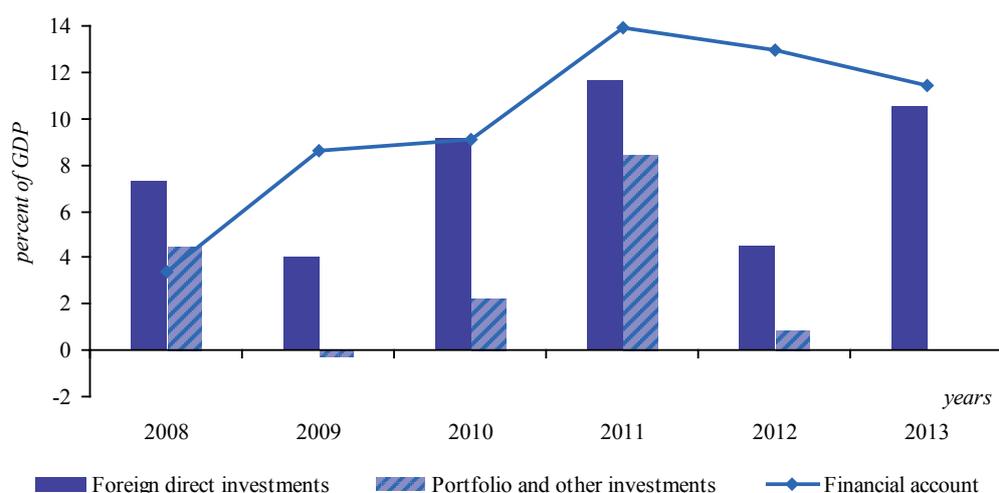
In the reporting year, net inflow of direct investments increased by 2.6 times and amounted to USD 757.6 million. The major volume of direct investments was provided by the loans received from foreign co-owners of enterprises.

The balance under the item “other investments” remained positive and amounted to USD 60.2 million, having thus decreased by 88.8 percent compared to the level for 2012. Change in the structure of other investments is primarily conditioned by decrease in net inflow of capital due to loans received by the public and private sectors. It should be noted that formation of this indicator resulted from the debt in the amount of USD 188.9 million written off by the Russian Federation under the Agreement made between the Governments of the Russian Federation and the Kyrgyz Republic on settlement of debt of the Kyrgyz Republic to the Russian Federation on previously provided loans.

¹ Re-export.

Chart 1.3.2.

Financial Account



According to results of 2013, the “errors and omissions” item balance developed with positive value equivalent to USD 967.1 million, which indicates incomplete statistical registry of transactions related to inflow of capital into the country.

Errors and omissions

The volume of total international reserves as of the end of the reporting period amounted to USD 2.2 billion. The level of reserve assets of NBKR corresponded to 3.7 months covering potential critical volume of imports of goods and services.

International reserves

1.4. Banking Sector¹

By the results of 2013 growth was observed in key banking system indicators, particularly, in assets, credit portfolio, funding base and net profit.

Major trends in banking sector

The level of financial intermediation in Kyrgyzstan is gradually increasing, however, external financing of the real sector still dominates over internal financing.

The banking sector is characterized by high level of capital adequacy, which indicates a certain potential for raising the level of financial intermediation, improving the efficiency of the banking sector and providing “safety cushion” in the future.

Systemic risks in the banking sector are moderate, as the financial system of Kyrgyzstan is not properly developed and renders restricted range of intermediary services. Herewith, the financial sector is poorly integrated in the international financial markets.

In 2013, 24 commercial banks operated in the Kyrgyz Republic, including the Bishkek Branch of the National Bank of Pakistan.

Number of banks

16 banks of the operating commercial banks have foreign share in the capital. As at the end of 2013, the share of foreign capital accounted for 36.5 percent on bank’s capital (in 2012 – 36.1 percent). Such increase was conditioned by growth of investments to the capital of CJSC “Bai Tushum”, OJSC “Rosinbank”, change of shareholders in OJSC “Kyrgyz Credit Bank” and rehabilitation of OJSC “Kyrgyzdyikanbank”.

The total assets of the banking system increased by 27.0 percent over the reporting period and amounted to KGS 111.1 billion. Lent loans constituted major share of banks’ assets – 48.6 percent.

Assets of the banking system

¹ The data of regulatory reporting of commercial banks were used with regard to adjustments for the previous periods introduced by the banks.

Table 1.4.1.

Structure of Assets of Commercial Banks (end of period)

Category of assets	2012		2013	
	<i>in millions of KGS</i>	Share, <i>in percent</i>	<i>in millions of KGS</i>	Share, <i>in percent</i>
Lending and finance lease to clientele	40,105.4	45.9	53,961.6	48.6
Correspondent accounts and deposits with other banks	10,932.2	12.5	16,807.5	15.1
Securities portfolio	8,872.7	10.1	10,285.0	9.3
Cash	8,114.2	9.3	8,705.2	7.8
Correspondent account with the NBKR	6,650.3	7.6	6,685.5	6.0
Fixed assets	5,396.8	6.2	6,033.8	5.4
Loans of finance and credit institutions	2,124.9	2.4	3,724.6	3.4
Securities purchased on REPO operations	819.3	0.9	584.4	0.5
Investments and financial participation	88.8	0.1	149.4	0.1
Special LLP*	-2,752.5	-3.1	-3,013.3	-2.7
Other assets	7,094.3	8.1	7,168.3	6.5
Total	87,446.5	100.1	111,092.0	100.0

* *Special LLP - loan loss provision on classified credits (substandard, doubtful, losses).*

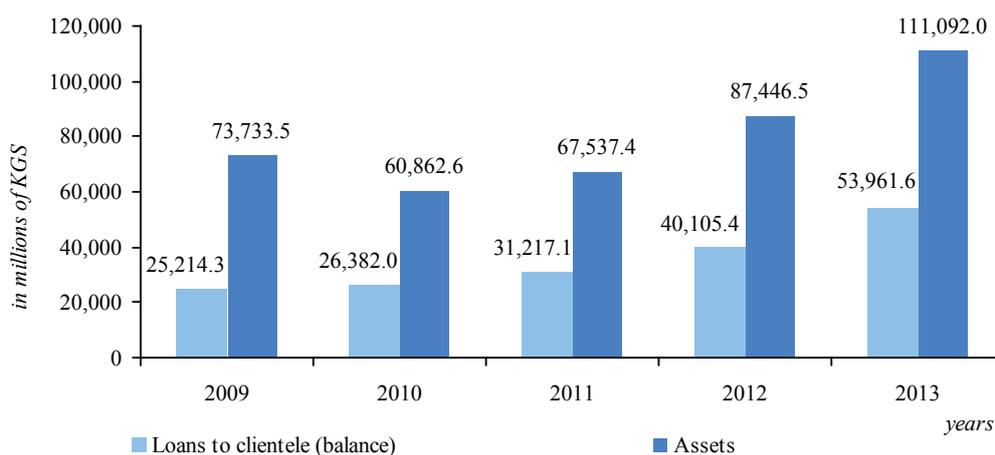
The volume of liquid assets placed by the commercial banks as cash assets, short-term placements and on the correspondent accounts with the NBKR increased by 25.3 percent during the reporting period, and as of the end of 2013 amounted to KGS 32.2 billion or 29.0 percent of the total assets.

Credit portfolio

The volume of credit portfolio¹ increased by 34.5 percent and amounted to KGS 54.0 billion. The share of credit portfolio in the assets of the banking sector increased by 2.7 percentage points compared with 2012 and amounted to 48.6 percent. As of the end of 2013, the number of banks' borrowers constituted 167,305 persons, having increased compared with 2012 by 11,634 persons or 7.7 percent.

Chart 1.4.1.

Pattern of Assets and Credit Portfolio of Banks (end of period)



The share of “unclassified”² assets made 95.6 percent of total assets subject to classification and “classified”³ assets constituted 4.4 percent. The share of classified

¹ Without accounting of loans provided to banks and other finance and credit institutions.

² The unclassified assets (credits) comprise assets (credits) referred to standard, satisfactory assets and assets under watch.

³ The classified assets (credits) comprise assets (credits) referred to substandard, doubtful assets and losses.

loans shrank to 5.5 percent, which points to certain improvement of the quality of credit portfolio of the banking system.

Table 1.4.2.

Classification of Assets, Off-Balance Sheet Liabilities and Lending to Clientele
(in percent, unless other indicated)

Category	Assets and off-balance sheet liabilities		Lending to clientele	
	2012	2013	2012	2013
Total unclassified	94.2	95.6	92.8	94.5
<i>including:</i>				
Standard	42.0	42.1	0.3	1.4
Satisfactory	48.4	50.7	86.1	88.3
Under watch	3.8	2.8	6.3	4.8
Total classified	5.8	4.4	7.2	5.5
<i>including:</i>				
Substandard	2.0	1.5	1.9	1.8
Doubtfull	1.3	1.1	2.2	1.8
Losses	2.6	1.8	3.1	1.9
Total	100.0	100.0	100.0	100.0

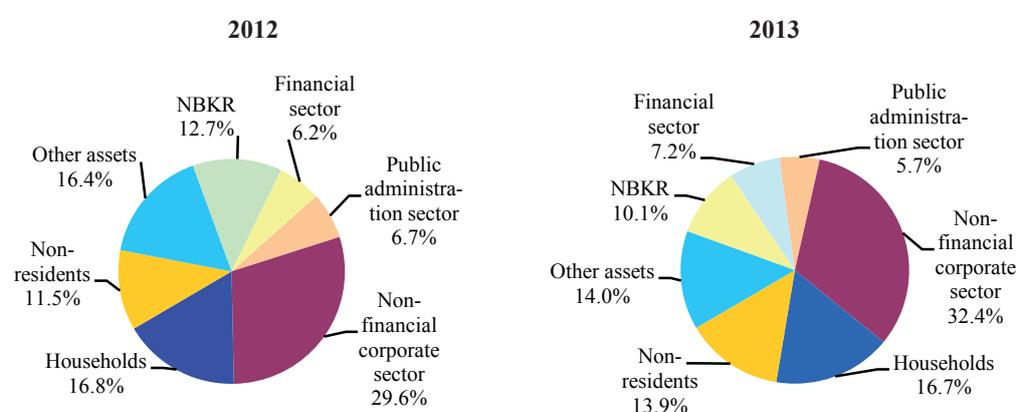
By results of 2013, generally, dollarization of the credit portfolio remained the same and comprised 53.6 percent.

The institutional structure of bank assets was rather diversified in the reporting period. The assets of banks in corporate sector comprised 32.4 percent of the total assets of banks, and the share of households sector held 16.7 percent.

Institutional structure of assets

Chart 1.4.2.

Institutional Structure of Bank Assets



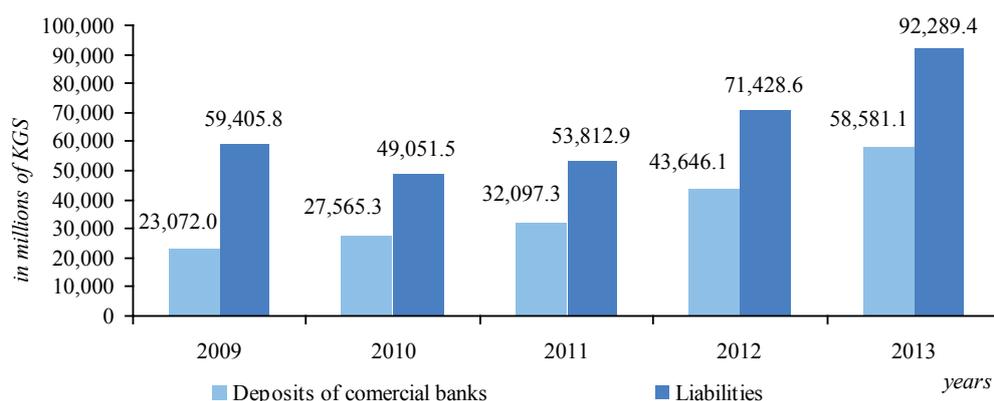
By results of 2013, total liabilities of commercial banks increased by 29.2 percent up to KGS 92.3 billion. The deposit base¹ took up 63.5 percent of total liabilities. Over the reporting period, the deposit base of the banking system grew by 34.2 percent.

Liabilities of banking system

¹ Without accounting of deposits and loans of the Government of the Kyrgyz Republic, and deposits of banks and non-residents.

Chart 1.4.3.

Pattern of Banks' Liabilities and Deposit Base



Liabilities to non-residents constituted 14.4 percent in the structure of total liabilities of banks. Furthermore, liabilities in foreign currency accounted for 52.5 percent of total liabilities.

Table 1.4.3.

Structure of Liabilities of Commercial Banks (end of period)

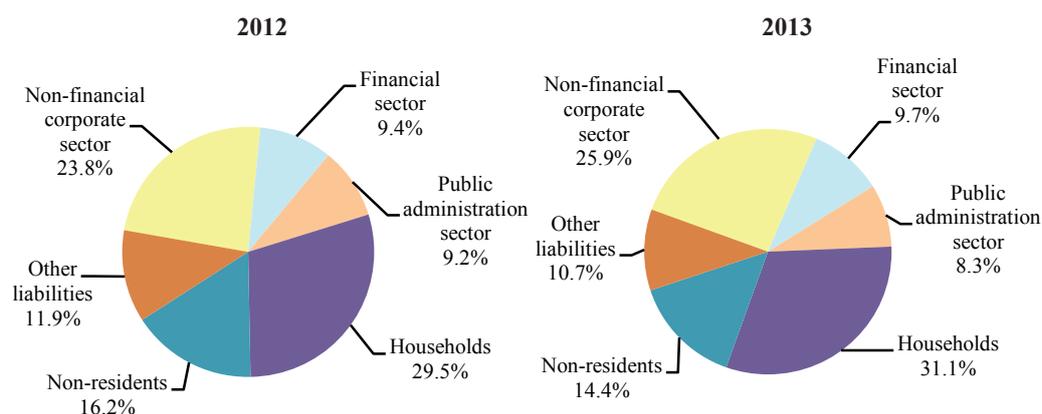
Category of liabilities	2012		2013	
	<i>in millions of KGS</i>	Share, <i>in percent</i>	<i>in millions of KGS</i>	Share, <i>in percent</i>
Time deposits			22,048.6	23.9
Settlement accounts	18,507.1	25.9	21,309.9	23.1
Demand deposits	11,138.2	15.6	15,222.6	16.5
Other liabilities	7,238.1	10.1	9,516.1	10.3
Received loans	8,403.1	11.8	9,113.7	9.9
Deposits of the Government	4,805.3	6.7	6,033.3	6.5
Settlement accounts and deposits of banks	2,743.9	3.8	3,908.6	4.2
Deposits of non-residents	2,199.9	3.1	2,719.8	2.9
Loans of the Government	1,629.6	2.3	1,566.6	1.7
Liabilities to NBKR	739.0	1.0	850.2	0.9
Securities sold under REPO agreements	23.5	0.0	0.0	0.0
Total	71,428.6	100.0	92,289.4	100.0

Institutional structure of liabilities

Liabilities of banks were concentrated in non-financial corporate sector and households. By results of 2013, these sectors held over the half (57.0 percent) of all liabilities of banks.

Chart 1.4.4.

Institutional Structure of Liabilities of Banks



The deposit base structure did not change much. As of the end of 2013, settlement accounts and demand deposits constituted 62.4 percent and time deposits comprised 37.6 percent. The total volume of deposits of commercial banks¹ equaled to KGS 58.6 billion. During the reporting period, deposits of legal entities increased by KGS 6.4 billion or 31.6 percent. Deposits of individuals grew by KGS 7.5 billion or 36.3 percent. Dollarization of the deposit base was at the level of 49.5 percent, having thus decreased by 3.1 percentage points over the year.

Deposit base

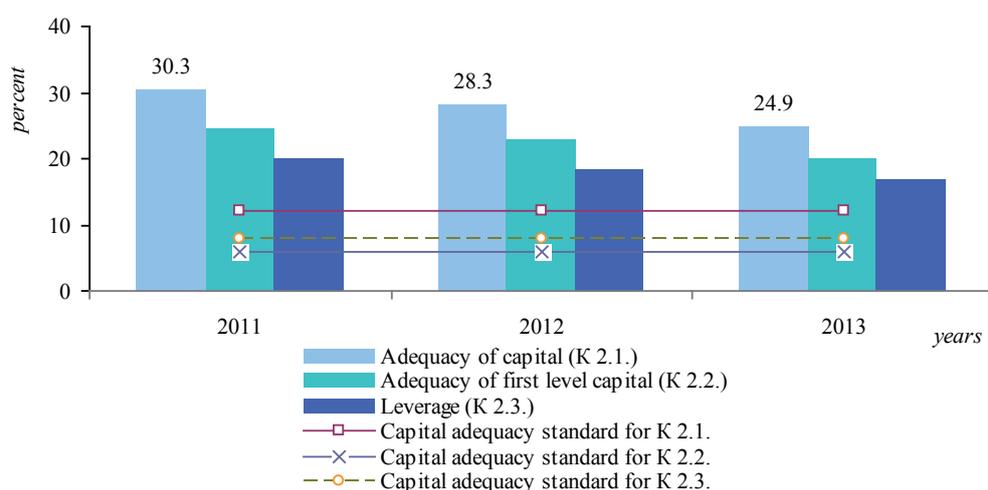
Total regulatory capital² of commercial banks increased by 17.4 percent over the year 2013 and amounted to KGS 18.7 billion. Paid authorized capital³ increased by 6.0 percent up to KGS 10.4 billion.

Capital of commercial banks

The level of capital adequacy in the banking sector is indicative of the available potential for further expansion of active banking operations.

Chart 1.4.5.

Pattern of Capital Based Indicators



¹ Without accounting of deposits and loans of the Government of the Kyrgyz Republic, and deposits of banks and non-residents.

² Total regulatory capital of any bank comprises authorized capital, reserves, historical retained earnings (losses), reporting year earnings (losses) and general provisions formed in the bank for the unclassified assets.

³ This category covers ordinary and preference shares.

The banking system achieved net profit of KGS 2.7 billion in 2013, having increased by KGS 0.3 billion or 11.6 percent compared with the previous year.

Table 1.4.4.

Composition of Income and Expenses
(in millions of KGS)

Category	2012	2013
Total interest income	8 254,6	9 902,3
Total interest expenses	2 798,3	3 400,6
Net interest income	5 456,3	6 501,6
Loan loss provisions (on credits)	14,8	166,7
Net interest income after LLP	5 441,6	6 334,9
Total non-interest income	4 876,9	4 852,7
Total non-interest expenses	1 268,3	1 312,9
Total other operational and administrative expenses	6 137,1	6 877,3
Net operating income (loss)	2 913,0	2 997,4
Loan loss provisions (on other assets)	182,8	-2,9
Net income (loss) before taxes	2 730,2	3 000,3
Profit tax	312,4	302,0
Net profit (loss)	2 417,8	2 698,3

In 2013, the return on assets (ROA) decreased from 3.0 percent to 2.7 percent, the return on equity (ROE) also decreased by 1.3 percentage points and formed at the level of 17.1 percent.

With continued improvement of the credit portfolio quality, the volume of loan loss provisions for 2013 totaled KGS 166.7 million. Thus, the ratio of LLP on credits to net interest income of the banking sector constituted 2.6 percent.

1.5. Sector on Nonbank Financial-Credit Institutions

NFCI structure

As of December 31, 2013 the system of nonbank financial-credit institutions (NFCI) subject to licensing and regulation by NBKR included: a specialized financial-credit institution – OJSC “FCCU”, 153 credit unions, 277 microfinance organizations (including four microfinance companies, 208 microcredit companies and 65 microcredit agencies) and 334 exchange bureaus. The total number of NFCI tended to decrease in 2013, primarily due to cancellation and withdrawal of MFO licenses that did not meet the established requirements.

Table 1.5.1.

Dynamics of the Number of NFCIs and Exchange Bureaus

Name	2012	2013
OJSC "FCCU"	1	1
Microfinance organizations (MFC, MCC and MCA)	320	277
Credit unions	183	153
Exchange bureaus	306	334
Total NFCI	810	765

In 2013, the National Bank issued 47 licenses to exchange bureaus and eight certificates of accounting registration to MCC/MCA.

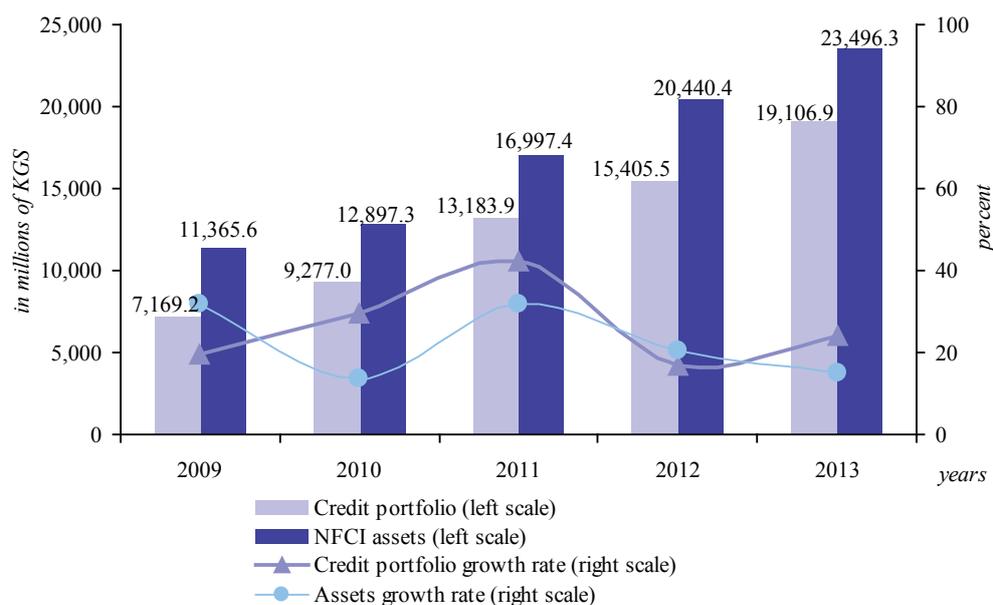
One license was of MFC, 16 certificates of MCC, three certificates of MCA and nine licenses of credit unions were withdrawn for failure to comply with the laws of

the Kyrgyz Republic and regulatory and legal acts of the National Bank. Moreover, 17 licenses of credit unions, 24 certificates of MCC and 10 certificates of MCA were cancelled due to their shutdown.

According to the regulatory reporting, the total assets of NFCIs¹ increased over the reporting period by 14.9 percent and amounted to KGS 23.5 billion as of December 31, 2013. The size of the credit portfolio of NFCI increased by 24.0 percent as compared to 2012 and amounted to KGS 19.1 billion. Herewith, the credit portfolio recovery constituted 97.2 percent.

Chart 1.5.1.

Changes in NFCI Total Assets and Credit Portfolio (end of period)



In the reporting year, the largest volume of NFCI credit portfolio was placed in Bishkek city, Osh Oblast, Osh city, Jalal-Abad Oblast.

NFCI credit portfolio by regions and Bishkek city

Table 1.5.2.

Change of NFCI Credit Portfolio by Regions (end of period)
(in millions of KGS)

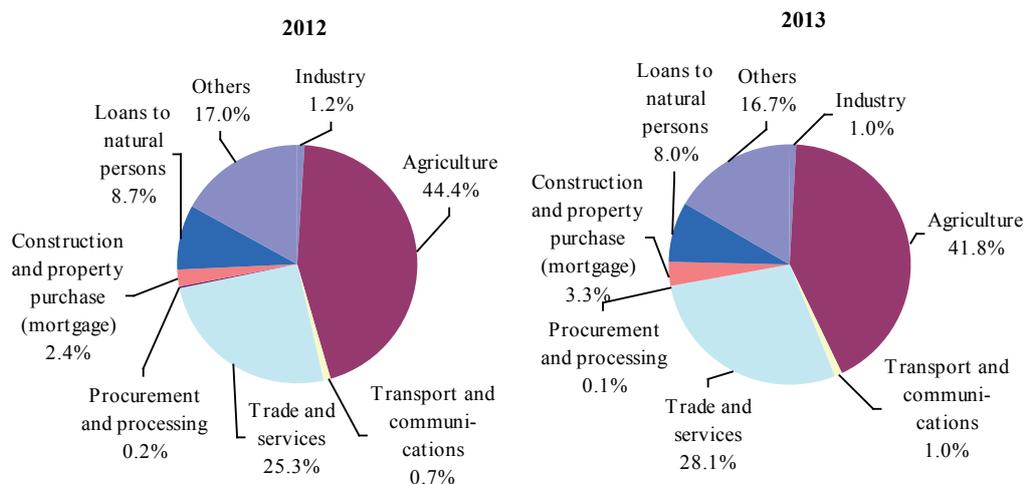
	2012	2013
Bishkek	2,925.1	3,806.6
Batken oblast	1,460.2	1,795.9
Jalal-Abad oblast	2,230.8	2,982.7
Issyk-Kul oblast	1,544.6	1,762.2
Naryn oblast	1,076.8	1,308.7
Osh oblast and Osh city	2,245.1	3,316.7
Talas oblast	1,064.6	1,318.0
Chui oblast	2,714.0	2,649.0
Outside of the Kyrgyz Republic	144.3	167.1
Total	15,405.5	19,106.9

The basic direction of NFCI activity is micro-lending. In the reporting year, increase by 1.7 percent was observed in the number of borrowers. The total number of borrowers was more than 440 thousand individuals.

¹ The NFCI sector data are given excluding the credit portfolio of OJSC "FCCU" because the loans were given to the credit unions that on-lent them.

Chart 1.5.2.

Credit Portfolio by Sectors of Economy (end of period)
(percent)

**Table 1.5.3.**

Development of NFCIs' Credit Portfolio by Sectors of Economy (end of period)
(in millions of KGS)

Sector	2012	2013
Industry	187.1	188.4
Agriculture	6,833.1	7,983.2
Transport and communication	113.2	192.2
Trade and services	3,898.8	5,365.2
Procurement and processing	32.2	17.3
Construction and property purchase (mortgage)	378.3	626.9
Loans to natural persons	1,340.9	1,534.1
Others	2,621.9	3,199.6
Total	15,405.5	19,106.9

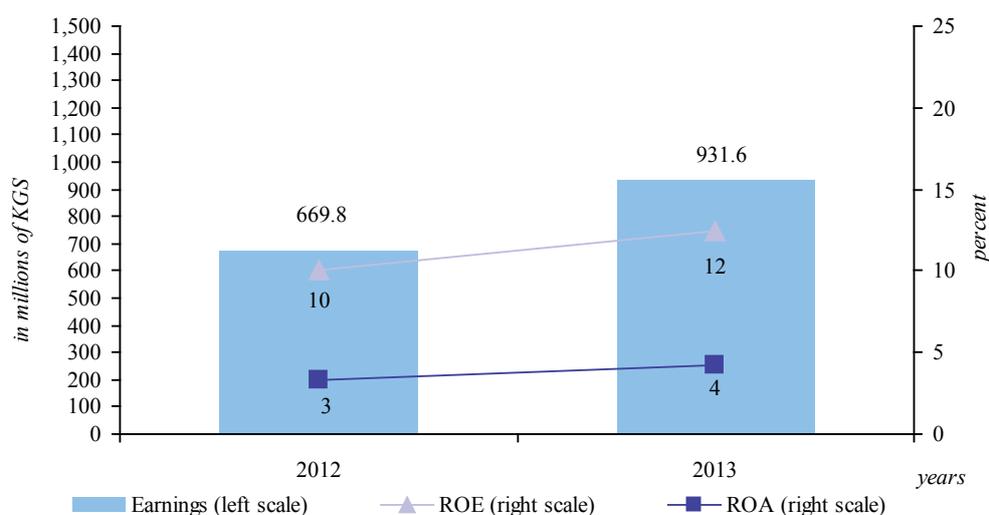
Credit portfolio by NFCI types

The share of microfinance organizations increased in the NFCI aggregate credit portfolio from 91.6 percent (KGS 14.1 billion) to 92.4 percent (KGS 17.6 billion), and the share of credit unions decreased from 8.4 percent (KGS 1.3 billion) to 7.6 percent (KGS 1.5 billion).

In 2013, the NFCI aggregate net profit amounted to KGS 931.6 million, having increased by KGS 261.8 million or by 39.1 percent compared to the results of 2012.

Chart 1.5.3.

Change in NFCI Net Profit and ROA and ROE indicators



The average weighted interest rates of loans provided by NFCI decreased within the year.

Table 1.5.4.

Average Weighted Interest Rates on Loans

(in percent)

	2012	2013
Microfinance organizations	34.9	31.0
Credit unions	29.1	27.3

The OJSC “FCCU” operates to provide loans to sustain the financing system in rural areas through lending to credit unions. Credit portfolio of OJSC “FCCU” amounted to KGS 394.1 million by the end of the reporting period, which is by 3.7 percent less than in 2012. The decrease in the credit portfolio was due to payment of liabilities under subsidized loan from ADB.

OJSC “FCCU”

The aggregate credit portfolio of credit unions increased by 8.3 percent and as of the end of the year amounted to KGS 1.5 billion. In the structure of credit portfolio the major share of loans is accounted for agriculture – 43.3 percent and trade – 37.0 percent (in 2012 – 46.2 and 35.9 percent respectively). The number of credit unions’ borrowers decreased by 7.3 percent and exceeded 15 thousand individuals as of December 31, 2013. The decrease in the number of borrowers of credit unions was conditioned by reduction in the number of credit unions.

Credit unions

Twelve credit unions held deposit licenses as of the end of 2013. The volume of mobilized deposits from credit union participants increased by 57.5 percent and amounted to KGS 80.8 million, while liabilities to other FCI increased by 8.1 percent and equaled to KGS 691.7 million.

The aggregate credit portfolio of MFO increased by 25.5 percent and as of the end of 2013 amounted to KGS 17.6 billion. In general, the credit portfolio of MFO consists of medium- and short-term loans with maturity term up to three years. The key recipient sector of MFO loans was agriculture, which took up 41.7 percent (44.2 percent as of the end of 2012) of the aggregate credit portfolio, and trade – 20.4 percent (24.3 percent as of the end of 2012). MFO lend from funds mobilized from international finance institutions as well as the capital of MFO. The number of borrowers from MFO exceeded 420 thousand individuals.

Microfinance organizations

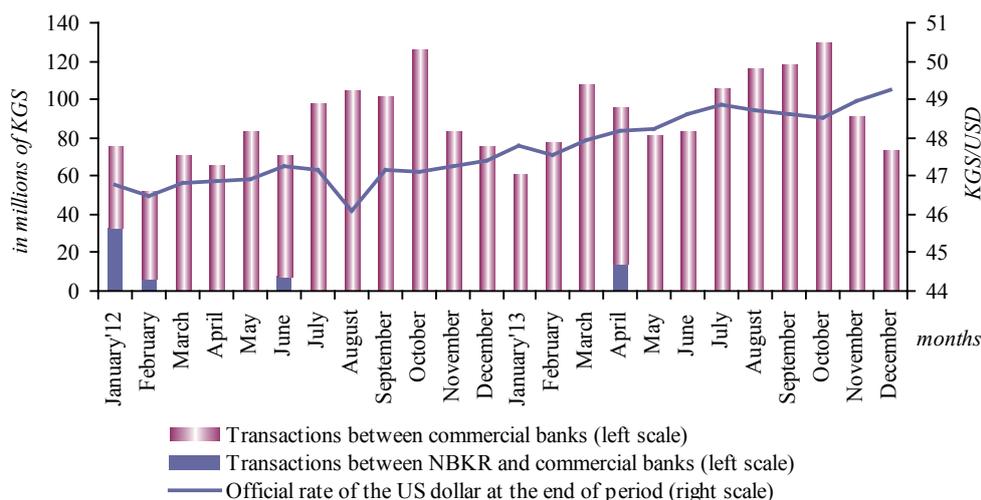
1.6. Financial Markets

1.6.1. Foreign Exchange Market

The situation at the domestic foreign exchange market in 2013 remained relatively stable, which allowed minimizing the presence of the National Bank at this market. Following the results of the year the exchange rate of US dollar increased by 3.9 percent: from KGS 47.4012 to 49.2470 per 1 USD.

Chart 1.6.1.1.

Exchange Rate Movement and Total Interbank Foreign Exchange Auction Transaction



Development of exchange rate

Over the reporting year the development of the exchange rate was multidirectional. Thus, in the first six months of 2013 the US dollar exchange rate increased by 2.6 percent supported by demand in the domestic market. During this period, the highest deviation of the exchange rate was observed in January, March and June primarily conditioned by the volumes of operations carried out by the banks on servicing import contracts of the clients on delivery of petroleum products and consumer goods, including repayment of foreign loans by microcredit companies.

The third quarter was marked by the change of the US dollar exchange rate growth vector following a period weakening of the national currency since March of the reporting year. As of October 2013, the exchange rate reached the minimum level 48.5027 KGS/USD for the previous five months. The change of the exchange rate resulted from increased volumes of currency flowing into the country through money transfer systems as well as seasonal influx of tourists.

Seasonal increase of consumer activity in the last months of 2013 was an additional factor for sustaining demand for the US dollar; therefore, by the end of December the exchange rate reached 49.2470 KGS/USD.

NBKR foreign currency interventions

Generally in 2013, the volume of the NBKR foreign currency interventions, represented by one-time coverage of market demand for the foreign currency in the second half of April, totaled USD 14.7 million, having increased by 69.3 percent compared with the similar indicator of 2012.

Table 1.6.1.1.
Foreign Exchange Purchase/Sale Transactions
(in millions of KGS)

	2012	2013	Rate of growth, in percent
Total volume	284,076.9	384,865.7	35.5
including:			
<i>Spot operations with foreign currency in non-cash at foreign exchange auctions</i>	49,644.9	60,080.6	21.0
operations with the NBKR	2,261.7	713.0	-68.5
interbank operations	47,383.2	59,367.7	25.3
<i>Spot operations with foreign currency in non-cash outside foreign exchange auctions</i>	2,518.9	1,986.1	-21.2
<i>Spot operations with foreign currency in cash</i>	229,898.8	318,714.2	38.6
operations with the NBKR	-	-	-
interbank operations	188,889.9	272,285.4	44.2
exchange bureaus	41,008.9	46,428.8	13.2
<i>SWAP operations</i>	2,014.2	4,084.8	102.8
operations with the NBKR	0.0	0.0	-
interbank operations	2,014.2	4,084.8	102.8

"-" Transactions were not made

The volume of foreign currency purchase and sale transactions in the domestic foreign exchange market grew by 34.6 percent and amounted to KGS 379.8 billion. Particularly, transactions with the US dollars increased by 34.4 percent by the results of the year, however, their share in the total volume of transactions fell to 59.5 percent (-0.1 percentage points) following quicker growth of quantitative indicators of transactions with the Russian rubles. Transactions with Euro increased by 20.5 percent, while their share decreased by 0.4 percentage point, to 3.2 percent. The share of operations with the Russian rubles increased from 27.3 to 28.9 percent, due to increase in the volume of such transactions by 42.7 percent. The volume of transactions with other foreign currencies¹ increased by 10.8 percent and their share reduced to 0.03 percent (-0.01 percentage points).

In the non-cash segment of foreign exchange market the essential part of operations in the interbank foreign currency auctions² was concluded in the US dollars. In 2013, the volume of non-cash foreign currency exchange transactions amounted to KGS 62.0 billion, having increased by 17.9 percent as compared to the same indicator for 2012 as a result of increased number of operations on purchase/sale of the US dollars between commercial banks.

It was the cash segment of the foreign exchange market where the essential part of operations was conducted – 83.7 percent of the total volume of operations. Significant share of transactions on purchase and sale of foreign currency in cash were made in commercial banks (71.5 percent); moreover, the share of cash operations at the exchange bureaus decreased by 2.2 percentage points, to 12.2 percent over the year.

The total volume of SWAP operations carried out both at the domestic market and with non-resident banks totaled KGS 4.1 billion, having thus increased by two times

Foreign exchange market organization by currencies

Non-cash and cash segments of foreign exchange market

SWAP operations

¹ British pound, Swiss franc, Turkish lira, Uzbek sum, Canadian dollar, Chinese yuan and Japanese yen.

² The foreign exchange auctions are held at the National Bank through the Automated Trade System (ATS).

Foreign exchange rate development in exchange bureaus

compared to the same indicator for 2012. The National Bank did not conduct SWAP operations with the commercial banks in the reporting year.

As per results of 2013, the average weighted US dollar exchange rate in the exchange bureaus rose by 4.2 percent and constituted 49.3730 KGS/USD as of the end of December. The average weighted exchange rate of Euro in exchange bureaus grew by 9.0 percent over the year and amounted to 67.5097 KGS/EUR; the exchange rate of the Kazakh tenge grew by 1.7 percent up to -0.3170 KGS/KZT. The exchange rate of the Russian ruble, on the contrary, depreciated by 2.7 percent and was 1.4906 KGS/RUB.

1.6.2. Interbank Credit Market

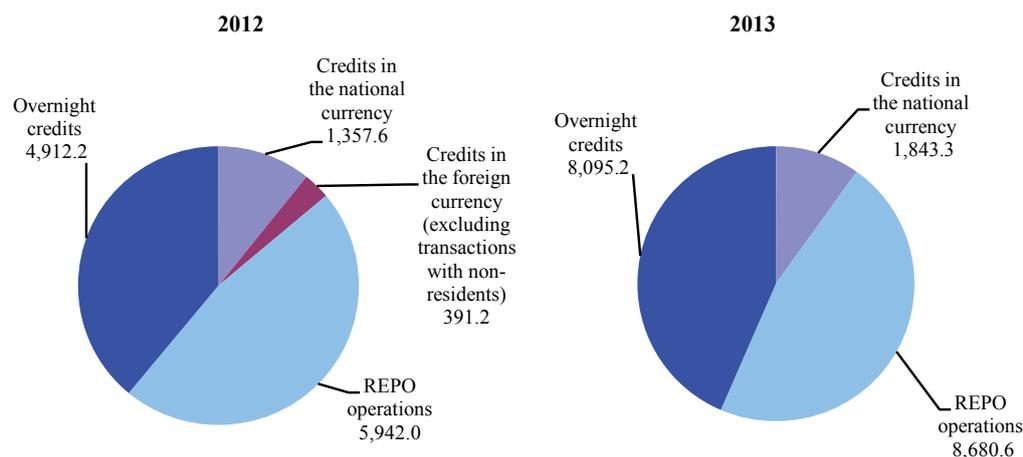
In 2013, the national currency segment of interbank credit operations continued to grow against decrease of the average level of interest rates on all types of credits during the year. Similar to 2012, it was the second and fourth quarters of the year when the level of activity was the highest in the domestic market due to uneven distribution of excess reserves in the banking system.

Operations in the national currency

As per the results of the year, the total volume of transactions in the national currency in the interbank credit market amounted to KGS 18.6 billion, having increased by 52.5 percent compared to the same indicator for 2012 (in 2012, the volume of interbank credit operations in the national currency increased by 21.2 percent). Although quantitative indicators of transactions grew in all segments of the market, the essential part of transactions in the national currency fell to overnight credits and REPO operations. According to results of the year, the share of REPO operations reduced by 2.0 percentage points and reached 46.6 percent, while the interbank operations on standard lending conditions grew by a volume equivalent to this reduction. The share of overnight credits increased to 43.5 percent (+3.3 percentage points), which is indicative of increasing market demand for borrowed resources to support the short-term liquidity in the national currency.

Chart 1.6.2.1.

Volume of Transactions in the Domestic Interbank Credit Market
(in millions of KGS)



In spite of recorded volatility in the interbank credit market, the cost of resources in the national currency in the interbank market started to fall gradually since August and this trend went on till the end of the reporting year. Generally, in 2013, the average rates on interbank loans in the national currency reduced to 7.2 percent (-0.5 percentage points) and on REPO operations reduced to 3.8 percent (-3.9 percentage points). Following the trend in development of the discount rate, the average monthly cost of

an overnight credit increased from 3.2 percent to 5.0 percent over the year 2013, which in turn resulted in slight decline of demand for these loans in the fourth quarter of the reporting year.

Average REPO maturity increased from three days to four days, and the maturity of loans in the national currency increased from 27 days to 199 days.

Table 1.6.2.1.

Average Weighted Interest Rates in Domestic Interbank Credit Market
(in percent)

	2012	2013
Rate on credits in the national currency	7.7	7.2
Rate on credits in foreign currency	1.6	-
Rate on REPO operations	7.7	3.8
Rate on overnight credits	8.5	4.1

1.6.3. Securities Market

1.6.3.1. Government Securities Market

In 2013, the government securities (GS) market was represented by the following types of securities:

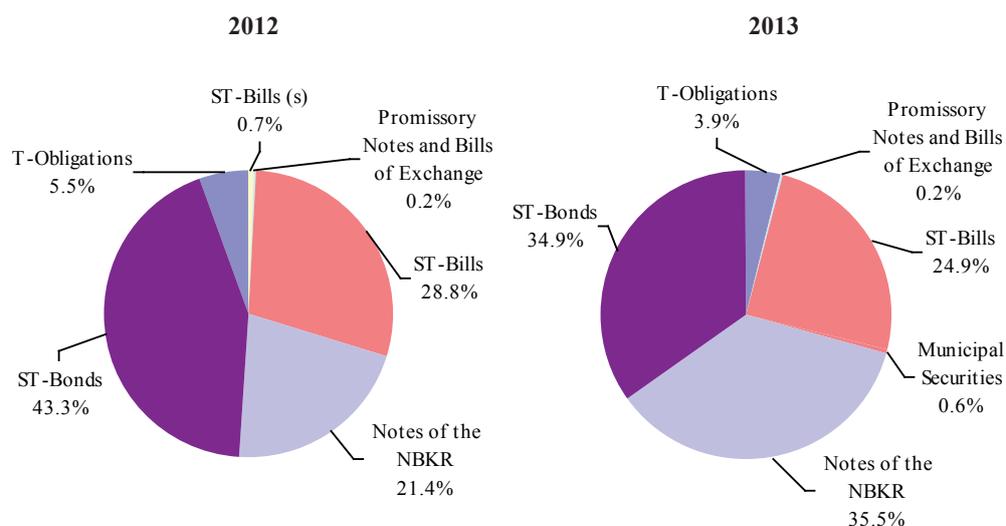
- State Treasury Bills (ST-Bills) (Government Bills);
- State Treasury Bonds (ST-Bonds) (Government Bonds);
- Notes of the National Bank;
- Treasury Obligations (T-Obligations);
- Bills of Exchange;
- Municipal Bonds.

As of the end of the reporting period, the total value of circulating government securities amounted to KGS 18.7 billion, increased by 31.4 percent over the year. The major contributor for this growth was the increase in the volumes of issue of ST-Bills, ST-Bonds and NBKR Notes.

Outstanding government securities

Chart 1.6.3.1.1.

Structure of Outstanding Government Securities

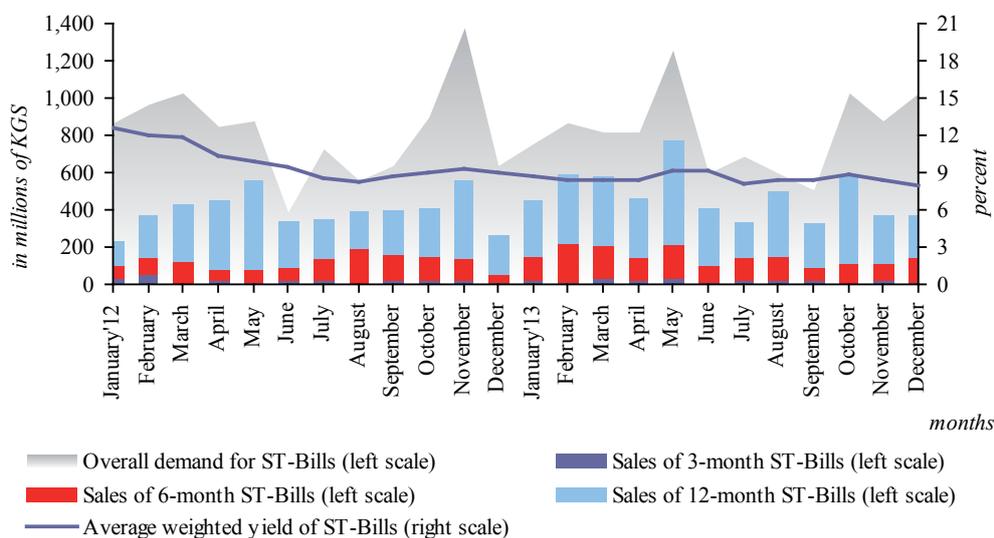


1.6.3.1.1. State Treasury Bills

The Ministry of Finance issues the State Treasury Bills for the term of 3, 6 and 12 months with the objective to finance current state budget deficit. Auctions on the primary placement of ST-Bills are conducted on weekly basis in the National Bank, which acts as the general agent for ST-Bills placement and settlement.

Chart 1.6.3.1.1.1.

Demand and Placement of ST-Bills

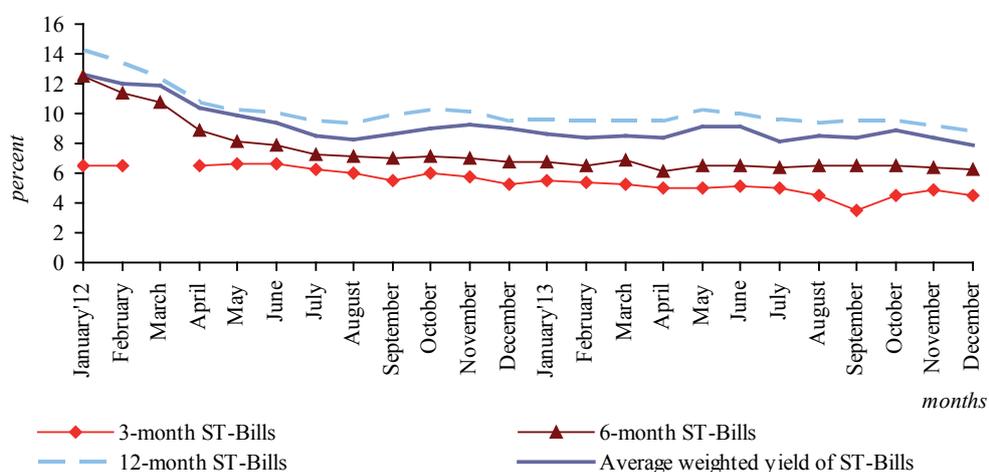


Availability of excess liquidity in the banking system also contributed to intensification of activities in the debt securities market, including the segment of state treasury bills. The average annual volume of announced emission slightly increased compared to the indicators of the previous year.

In 2013, all auctions announced by the issuer went through. Market conjuncture developed this way supported the tendency for decline in overall level of yield of ST-Bills, which started back in the middle of 2011 and was equal to 8.5 percent based on the results of 2013 (in 2012 – 9.9 percent). With that the average monthly yield of 12-month ST-Bills, which take up the biggest share in the aggregate volume of outstanding ST-Bills, fell to 9.5 percent, having reduced by 1.3 percentage points.

Chart 1.6.3.1.1.2.

Average Weighted Yield by All Types of ST-Bills



The total volume of issued government treasury bills was KGS 5.7 billion, having thus increased by 20.7 percent compared to the same indicator for 2012. The prevalent dynamic of growth of 6-month bills led to shrinking of the share of securities with the longest maturity date in the total portfolio of holders; therefore, the duration of ST-Bills portfolio reduced from 167 days as of the beginning of January to 156 days by the end of December.

Volume of outstanding of ST-Bills

Table 1.6.3.1.1.1.

Issue and Annual Average Yield of ST-Bills

	2012			2013		
	Sales, <i>in millions of KGS</i>	Share, <i>in percent</i>	Yield, <i>in percent</i>	Sales, <i>in millions of KGS</i>	Share, <i>in percent</i>	Yield, <i>in percent</i>
Total	4,762.7	100.0	9.9	5,746.3	100.0	8.5
including:						
3-month ST-Bills	225.9	4.7	6.1	208.5	3.6	4.9
6-month ST-Bills	1,226.0	25.7	8.5	1,566.6	27.3	6.5
12-month ST-Bills	3,310.8	69.5	10.8	3,971.2	69.1	9.5

The commercial banks prevailed in the structure of holders of ST-Bills with their share of 75.9 percent of the total volume of outstanding ST-Bills, which is 7.2 percentage points less than the same indicator of 2012. In nominal terms, the volume of bills in the portfolios of banks as of the end of 2013 amounted to KGS 3.5 billion.

Structure of ST-Bills market

The share of ST-Bills in the total assets of commercial banks constituted 4.2 percent, which indicates that these securities are not very attractive as a financial instrument for investment.

The number of banks holding ST-Bills increased to 19, while the concentration of the total bank portfolio of these securities reduced from 0.15 percent to 0.13 percent, which is equivalent of the market division among eight banks with equal shares. Reduction of the banks' share with simultaneous decrease in the share of institutional investors from 15.6 percent to 14.2 percent was caused by increased activeness of the resident legal entities, which resulted in increase of these legal entities' share by 8.6 percentage points, up to 9.8 percent. At the end of 2013, non-resident individuals withdrew from the list of ST-Bills holders: they held the share of 0.03 percent. The share of resident individuals fell by 0.1 percentage points up to 0.1 percent.

Commercial banks actively used ST-Bills when concluding deals on REPO conditions at the secondary market. Compared to 2012, the volume of such operations increased by 3.7 percent in the reporting year, and amounted to KGS 5.6 billion. Meanwhile, the volume of interbank operations at the secondary market on purchase/sale of ST-Bills prior to their maturity date (on "outright" conditions) decreased by 55.9 percent and amounted to KGS 48.1 million. The average weighted term of maturity of ST-Bills under these transactions made 247 days, and the average weighted rate equaled to 8.5 percent.

Operations in the secondary market of ST-Bills

1.6.3.1.2. State Treasury Bonds

The Ministry of Finance places State Treasury Bonds since October 2009. These securities were introduced to expand the spectrum of government securities and to extend the terms for financing the current budget deficit. The maturity of ST-Bonds is two years.

Demand and supply in the ST-Bonds market

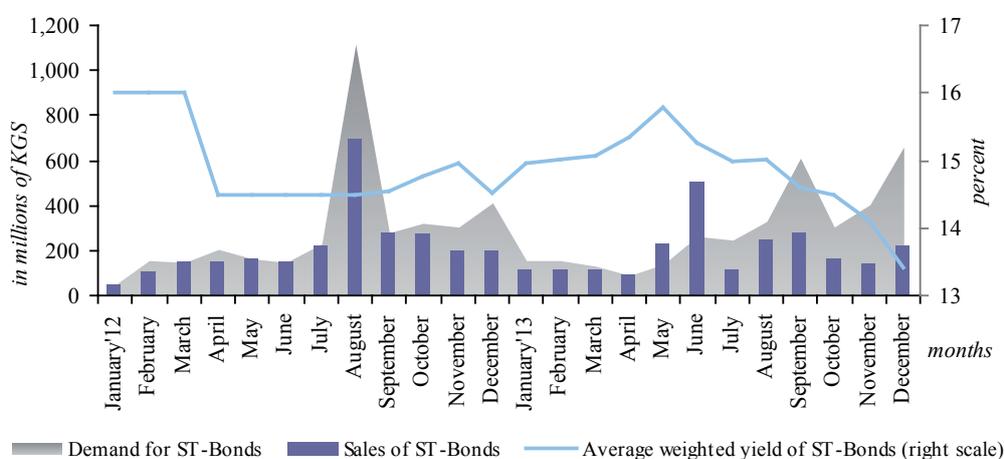
In the reporting period 13 auctions were called for placement of ST-Bonds, as well as three additional placements of such securities in the primary market.

The issuer reduced the overall supply of ST-Bonds by 29.4 percent compared to 2012, as a result of additional placements the amount of actually mobilized funds slightly decreased by 10.1 percent in annual terms. Thus, the amount of ST-Bonds totaled KGS 2.4 billion in the reporting year, which finally resulted in the growth of the amount of outstanding securities by 21 percent, up to KGS 5.7 billion. The current sales were primarily conditioned by four market participants, which provided 90.9 percent of the total volume of placement, this fact is indicative of maintained high level of ST-Bonds market concentration. Low demand of the part of many banks was still conditioned by short-term nature of their resources.

In the reporting period, the average monthly yield of ST-Bonds was 14.8 percent, having thus decreased by 0.1 percentage points compared to the same indicator for 2012.

Chart 1.6.3.1.2.1.

Demand and Placement of ST-Bonds



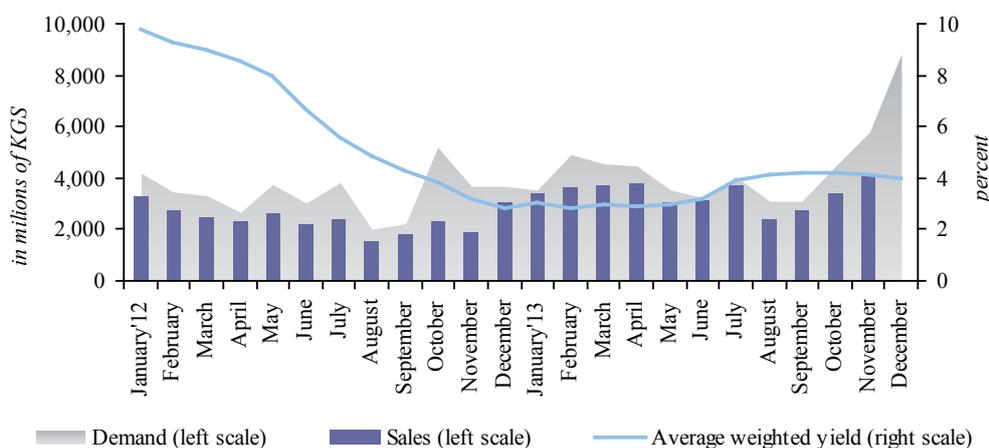
1.6.3.1.3. Notes of the National Bank

In 2013, as before, 7-, 14- and 28-day notes were placed in the market. The NBKR continued to use notes as a tool for removing excess liquidity by regulating the volume of their supply according to the monetary policy objectives and the liquidity level in the banking system.

The NBKR placed notes to the total value of KGS 44.6 billion over the year, while in 2012 this amount equaled to KGS 28.5 billion.

Chart 1.6.3.1.3.1.

Demand and Placement of the NBKR Notes

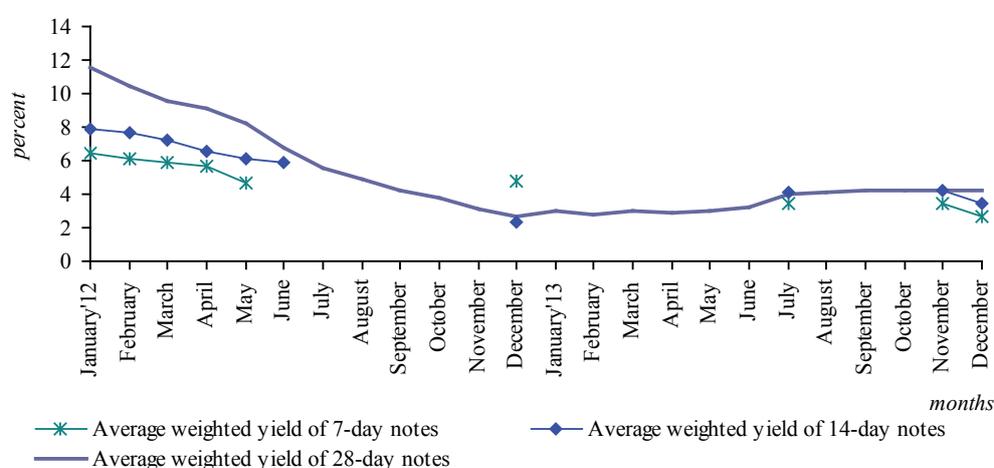


In 2013, pursuing the strategic and tactical objectives of the current monetary policy on inflation control, the National Bank increased the annual volume of issue compared to the previous year by 62.2 percent, up to KGS 50.6 billion. With increasing interest in government securities the monetary policy measures provided growth in sales of 7- and 28-day notes, which resulted in the increase of the aggregate placement indicator for all types of notes by 56.1 percent compared to the previous year.

Increased activity observed in notes of the NBKR market was accompanied by slight decline of yield of these notes. The average yield on all types of notes fell by 2.8 percentage points down to 3.5 percent as compared to the level in 2012. Particularly, the average annual yield of 7-day notes was 3.2 percent (-2.4 percentage points), 14-day notes – 3.9 percent (-2.3 percentage points), and the average annual yield 28-day notes of the NBKR decreased by 3.1 percentage points, up to 3.6 percent.

Chart 1.6.3.1.3.2.

Average Weighted Yield by Types of Notes of the NBKR



The volume of outstanding notes of the NBKR amounted to KGS 6.6 billion by the end of 2013. In the structure of holders of notes of the NBKR the commercial banks held the share of 58.6 percent, resident legal entities – 41.1 percent, institutional investors – 0.3 percent. The NBKR Notes were in the portfolio of 14 banks.

1.6.3.1.4. Other Government Securities

In 2013, the share of Treasury Obligations (T-Obligations) in the structure of government securities reduced to 3.9 percent (-1.7 percentage points) following redemption of part of liabilities under the obligations issued earlier. As a result, the volume of outstanding T-Obligations shrank by 8.2 percent over the year and amounted to KGS 723.3 million.

The volume of outstanding Exchange Bills issued by the Ministry of Finance when reregistering the liabilities of banks and other finance institutions to depositors, did not change and remained at the level of KGS 34.9 million, but their share was 0.2 percent.

By the end of the reporting period the volume of municipal securities placed by the Bishkek municipality amounted to KGS 110.0 million, and they took up 0.6 percent in the general structure of government securities.

1.6.3.2. Corporate Securities Market¹

As of the end of 2013 there were 73 legal entities carrying out professional activities in the securities market of the Kyrgyz Republic.

¹ According to date of the State Service for Financial Market Regulation and Supervision under the Government of the Kyrgyz Republic.

In the reporting year, 54 issues of securities were registered and the volume of attracted capital equaled to KGS 2.9 billion, which is by 8.0 percent higher of the same indicator for 2012. Key indicators of the corporate securities market speak of its comparatively low level of development.

As of the end of the year, 20 issuers were listed in Kyrgyz stock exchange. The majority of the listed companies work in services spheres and in finance sphere. The total volume of deals with securities concluded in the securities market amounted to KGS 2.3 billion, out of which, deals for KGS 619.4 million were concluded in over-the-counter market. Despite the growth in the number of deals, the volume of auctions decreased compared to the previous year by 8.8 percent.

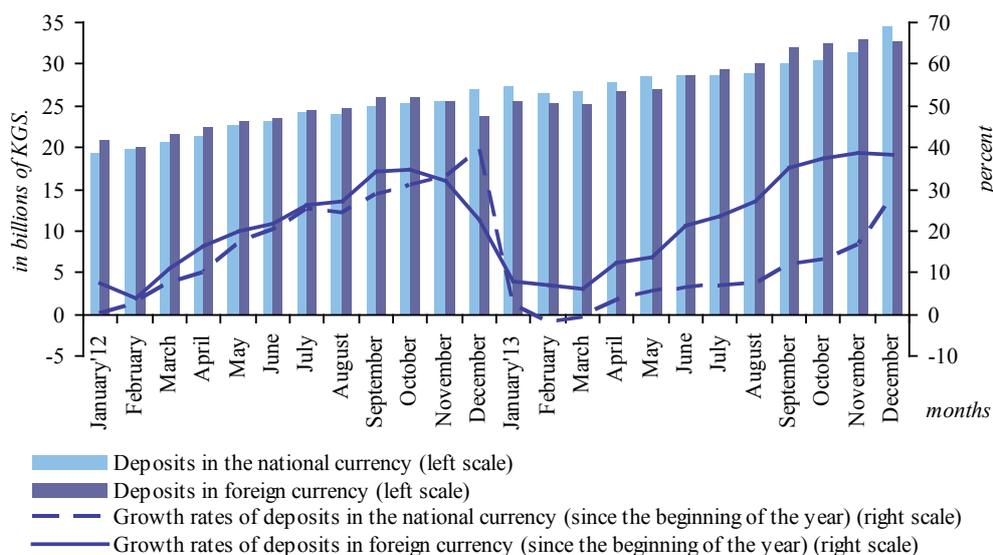
1.6.4. Deposit and Credit Market

Deposit base

As of the end of 2013, the volume of deposit base¹ of the commercial banks amounted to KGS 67.3 billion, having thus increased by 32.9 percent since the beginning of the year. Deposits in the national currency increased by 28.1 percent and amounted to KGS 34.5 billion. Deposits in foreign currency increased by 38.5 percent and amounted to 32.8 billion in the national currency equivalent. Excluding the factor of the USD exchange rate change, the deposit base increased by 30.5 percent since the beginning of the year.

Chart 1.6.4.1.

Deposit Base (end of period)



Structure of the deposit base

The share of deposits of legal entities in the deposit base remained significant – 53.9 percent. Deposits of legal entities in the national currency grew by 19.9 percent, while the volume of deposits of enterprises in foreign currency increased by 47.3 percent. The share of deposits of individuals increased from 41.1 percent to 42.1 percent. In the currency structure of individuals' deposits, there was significant growth of deposits in both the national and foreign currencies: 40.2 percent and 32.4 percent respectively.

The time structure of the deposit base did not change significantly from its original status established at the beginning of the reporting year. The share of resources on settlement accounts and time deposits changed from 40.6 percent to 35.7 percent and from 34.6 to 39.1 percent accordingly. At the same time, the balance on the clients'

¹ Including Government deposits and deposits of other financial institutions. Government loans and loans of local self-government bodies of the Kyrgyz Republic are excluded.

demand deposit accounts increased by third, and their share increased from 24.8 percent to 25.2 percent over the year. The share of long-term deposits (for over a year period) in the structure of time deposits increased by 0.1 percentage points up to 9.2 percent of the total deposit base (or up to 23.6 percent in the volume of time deposits). The share of short-term deposits increased by 4.4 percentage points and reached 29.8 percent. Therefore, the duration of time deposits reduced from 13.0 months down to 11.4 months since the beginning of the year and the duration of the deposit base as a whole remained at the level of 4.5 months, as in the previous year.

As per the year-end results, the concentration index of the deposit market grew a little up to 0.10, indicating to a low level of the market concentration.

The volume of deposits newly attracted by the banks¹ in 2013 amounted to KGS 287.8 billion, having increased by 22.5 percent against the same indicator for 2012. There was growth in deposits in the national currency – by 21.8 percent amounting to KGS 146.2 billion, but also in deposits in foreign currency – by 23.3 percent up to KGS 141.5 billion. Herewith, the major growth of deposits was provided by the funds in the national and foreign currency entered onto the individuals' demand accounts.

Newly attracted deposits

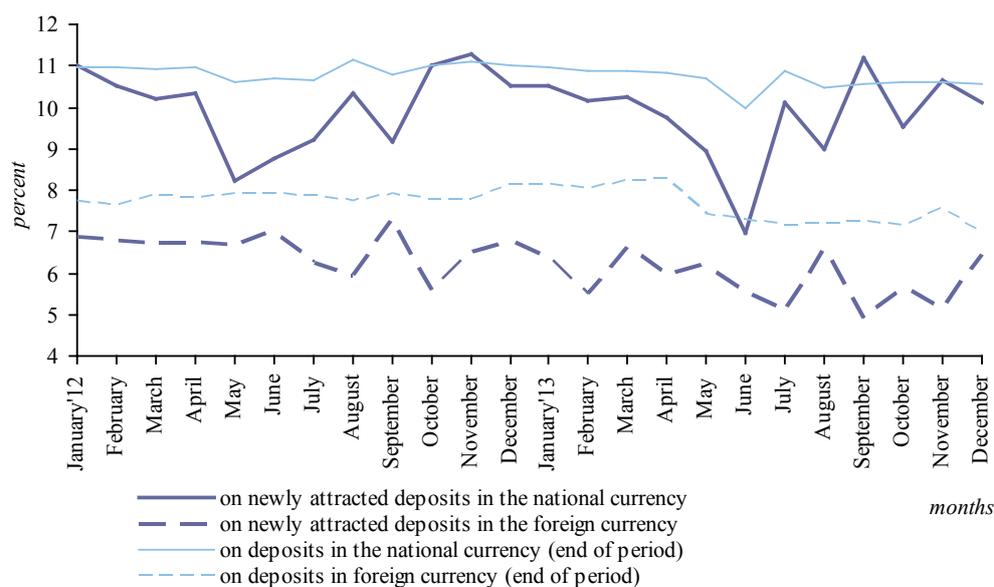
At the end of 2013, the average weighted interest rate on deposits in the national currency amounted to 5.6 percent, having increased by 0.4 percentage point over the year. The rate on the balance of deposits in foreign currency remained unchanged at the level of 2.8 percent.

Interest rates on deposits

The average weighted interest rate on newly attracted deposits both in the national and in foreign currency has not changed compared to the same indicator of 2012 and was 2.3 percent and 0.8 percent respectively. At the same time, the cost of newly attracted time deposits in the national currency depreciated by 0.3 percentage points and amounted to 9.8 percent. The average weighted interest rate on deposits in foreign currency decreased by 0.8 percentage points up to 5.8 percent. At the same time, interest rates on individuals' fixed deposits in the national and foreign currencies fell by 0.6 percentage points and 0.5 percentage points and constituted 10.7 percent and 6.4 percent respectively.

Chart 1.6.4.2.

Development of Interest Rates on Time Deposits



¹ The volume of newly attracted deposits does not account receipts to settlement accounts.

Major trends in loan market

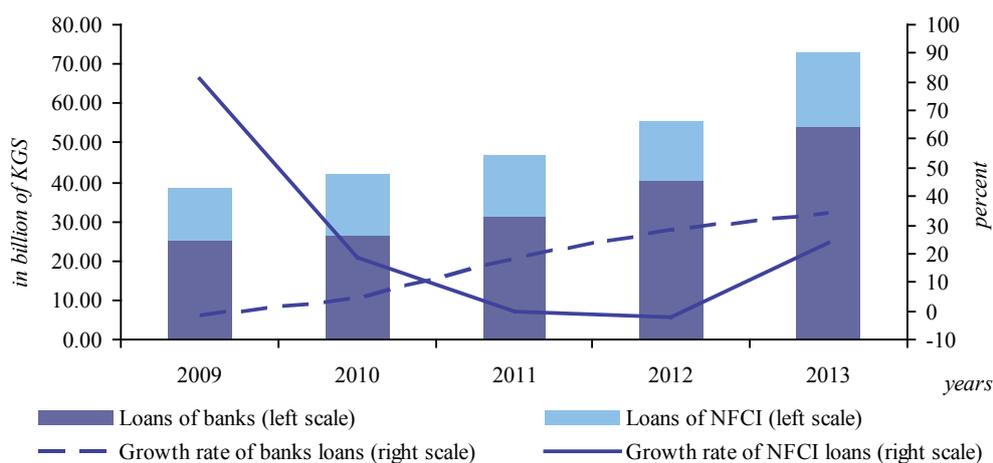
In 2013, retaining upward tendency was observed in lending to the real sector of economy by the commercial banks.

Quantitative changes in the market were supported by ongoing improvement of quantitative indicators of the credit portfolio of the banking system, characterized by the share of bad debts and extended credits. As per the end-year results, the rates on loans of banks in the national and foreign currencies declined.

By the end of 2013, the total volume of loans issued by the banks and NFCI amounted to KGS 73.1 billion, having increased by 31.6 percent over 12 months (in 2012 in grew by 18.2 percent).

Chart 1.6.4.3.

Volume of Loans in the Economy, Including Loans of NFCI (end of period)

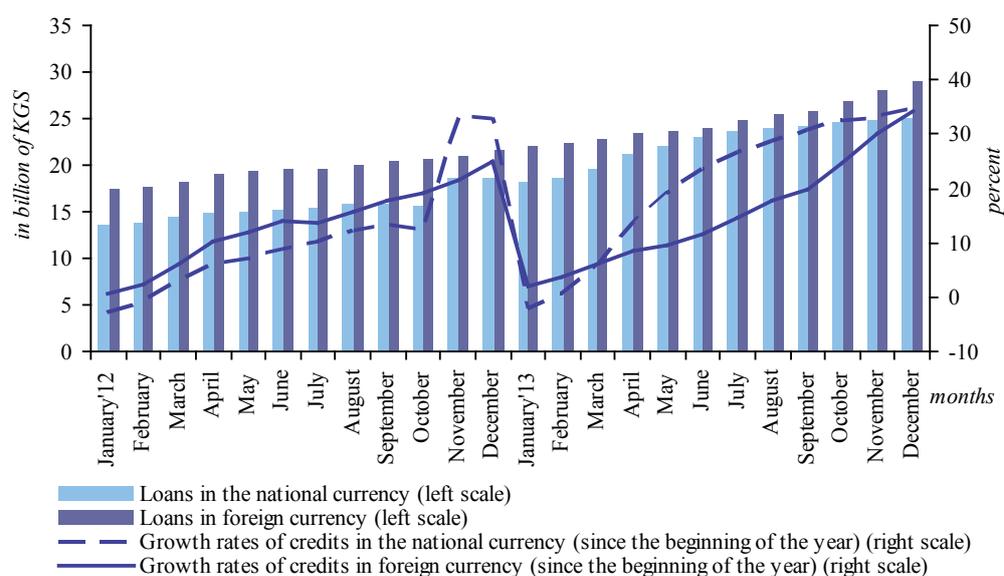
*Credit portfolio of banks*

The aggregate credit portfolio¹ of banks increased by 34.5 percent (the growth in 2012 was 28.5 percent), and amounted to KGS 54.0 billion at the end of the year. Not accounting the impact of the exchange rate, the credit portfolio of banks grew by 31.8 percent. The growth of the credit portfolio was provided by growth of credits in the national currency by 34.9 percent up to KGS 25.0 billion, and in foreign currency by 34.2 percent up to KGS 28.9 billion (apart from the impact of the US dollar exchange rate fluctuations, the volume of loans in foreign currency increased by 29.2 percent over the year). As a result, dollarization of the credit portfolio decreased from 53.7 to 53.6 percent.

¹ Including created LLPs and accrued discount.

Chart 1.6.4.4.

Volume of Loans of Banks (end of period)



The upward trend in long-term lending continued in 2013; however shrinking of the share of loans with maturity term up to one year resulted in extension of the duration of the credit portfolio from 27.6 months to 29.6 months.

Time structure of the credit portfolio

The concentration of the lending market remained relatively high – 0.09. At the same time, the index reflecting concentration of credit portfolio in sectors at the level of 0.41 indicated distribution of loans of the majority of banks between three sectors – trade, agriculture and construction.

Table 1.6.4.1.

Credit Portfolio of Commercial Banks by Sectors of Economy

(in millions of KGS)

Sector	2012	2013
Industry	2,256.0	4,356.2
Agriculture	6,073.4	9,360.5
Transport and communications	1,034.9	1,224.8
Trade and commercial operations	16,022.2	19,840.1
Procurement and processing	91.8	116.5
Construction and mortgage	6,068.6	8,660.1
Consumer loans	3,770.9	4,861.6
Other	4,787.4	5,541.7
Total	40,105.4	53,961.6

The volume of loans newly extended by the commercial banks increased by 55.8 percent compared to the same indicator in 2012 and amounted to KGS 59.3 billion. The increase resulted from 56.4 percent growth of loans in the national currency, which amounted to KGS 26.7 billion, as well as 55.4 percent growth of credits in foreign currency, which amounted to 32.6 billion in the national currency equivalent.

Newly extended loans

The growth of newly extended loans was observed in all sectors of the economy. At the end of the year, the share of loans for trade decreased by 2.3 percentage points up to 47.3 percent, consumer credits decreased to 8.9 percent (-2.0 percentage points), “other” loans reduced to 8.2 percent (-2.1 percentage points), loans for transport decreased to 1.9

Sectoral structure of extended loans

percent (-0.2 percentage points), loans for communication decreased to 0.1 percent (-0.2 percentage points). At the same time, the share of loans for agriculture increased by 3.1 percentage points, up to 15.4 percent. The share of loans for industry was 7.5 percent (+2.8 percentage points). The share of loans for mortgage, social services, construction, procurement and processing totaled to 10.6 percent.

Interest rates on newly extended loans

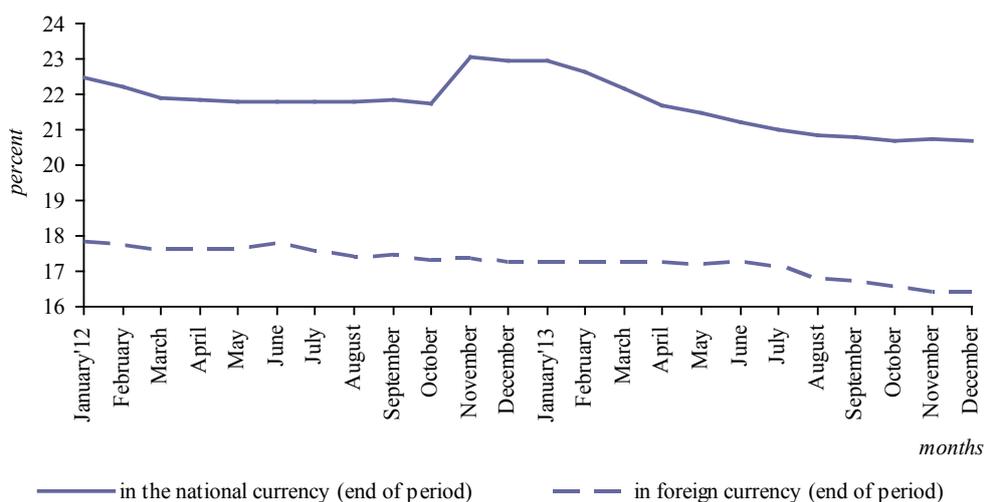
The average weighted rate on newly extended loans in the national currency was 21.3 percent for the year, having reduced by 1.7 percentage points compared to the rate in 2012. Reduction of interest rates was observed in such branches of economy as industry, agriculture, transport, trade, construction, mortgage, as well as in the segment of consumer and other lending. The average weighted interest rate on newly extended loans in foreign currency was 17.7 percent over the reporting period, having thus decreased by 1.4 percentage points. The lowest interest rates on loans in the national currency were set on loans for industry; the lowest interest rates on loans in foreign currency were set on loans for construction.

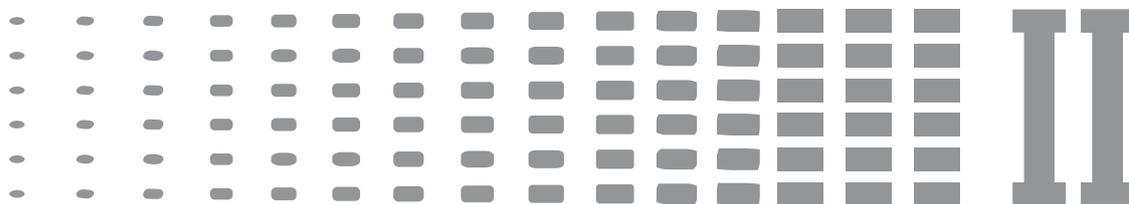
Interest rates on loans

The average weighted interest rate on credit comprising portfolio of operating commercial banks over the year totaled 20.7 percent (-2.2 percentage points), and 16.4 percent on credits in foreign currency (-0.9 percentage points).

Chart 1.6.4.5.

Development of Average Weighted Interest Rates on Loans





**ACTIVITY
OF THE NATIONAL BANK
OF THE KYRGYZ REPUBLIC
IN 2013**

CHAPTER 2. MONETARY POLICY

In 2013, the National Bank, taking into account, the current inflation risks, pursued monetary policy aimed at restraining the monetary constituent of inflation. In the reporting period, money supply was primarily provided by the government sector, which was conditioned by the state budget deficit. In the reporting year, the National Bank increased the volume of sterilized operations to restrain the influence of monetary factors on inflation. Monetary policy and sustainable development of world prices for major food products contributed to slowdown in growth rates of consumer prices. In 2013, inflation rate was 4.0 percent.

Due to preparation to transition to a new basis of monetary policy – from targeting of monetary aggregates regime for targeting of interest rate regime, at the end of 2013, the National Bank changed the mechanism of determining the size of discount rate based on 28-day notes yield to determining its size by collegial decision of the Board. The discount rate determined by the decision of the Board and change of operating regime used in monetary policy over the medium term will contribute to strengthening influence of interest rate channel in the transmission mechanism of monetary policy. Operation on improvement of the forecasting and analysis system was pursued for these purposes and it allowed making short-and-medium-term forecasts of economic development, including inflation with regard to monetary policy measures.

In order to improve monetary policy instruments, the National Bank eased the conditions of access to credit funds within the framework of credit auctions, which were introduced at the end of 2012 to expand banks' opportunities in liquidity supporting and lending to economy.

International reserves increased by 8.3 percent and totaled USD 2.2 billion. Foreign currency portfolio, special drawing rights (SDR) and assets in gold comprise international reserves. The National Bank, in complying with the major principles of supporting liquidity and providing security of international reserves, placed high-reliable and liquid instruments in the central banks of developed countries, international financial institutes and foreign commercial banks with high credit rating. In the reporting year, the National Bank purchased gold in the domestic market to replenish the volumes of international reserves. The international reserves were mainly used to fulfill the tasks of the monetary policy and to serve the foreign liabilities of the Government and the National Bank.

2.1. Monetary Policy Development

Upon introduction of the national currency – the Kyrgyz som 20 years ago, the National Bank of the Kyrgyz Republic started to conduct independent monetary policy. Introduction of the Kyrgyz som and pursuing independent monetary policy were necessary measures for stabilization of economy and establishing of market system in that period.

Time showed that introduction of the national currency in the Kyrgyz Republic was well-timed and correct decision. This is evidenced by the results of the monetary policy conducted in the republic, significant decrease of inflation achieved in 1994-1995 (from 929.9 percent in 1993 to 32.1 percent in 1995) and creation of relatively stable financial situation, which provided possibility for economic growth, as well as increasing confidence in the banking system as a whole. Despite negative effect of the global financial and food crises, pursuing balanced monetary policy of the NBKR allowed restraining inflation expectations of the population and achieving determined inflation targets.

In accordance with the Law “On the National Bank of the Kyrgyz Republic” the goal of the National Bank is to achieve and sustain the price stability by pursuing monetary policy.

Monetary policy (MP) was pursued in compliance with Main Monetary Policy Guidelines for 2013-2015 approved by the Board of the NBKR in December 2012, which determine strategic tasks and targets for the monetary policy. This document sets quantitative target of monetary policy for medium term to restrain inflation rate within single-digit indicators.

Quantitative targets of monetary policy

The Board of the National Bank considered several scenarios of monetary program on quarterly basis; these scenarios were developed with regard to options of economic situation possible development. The scenario approved by the Board determined parameters of monetary policy for the forthcoming period, as well as direction of operational actions, decisions thereon were made by the Monetary Policy Committee on weekly basis.

Interim monetary policy benchmark was monetary base, which was defined based on needs of economy in money supply with regard to indicators of state budget deficit. Operational monetary policy benchmark was the level of excess liquidity in the banking system, which was regulated by means of monetary policy tools.

The National Bank pursued expert forums carried out on quarterly basis with involvement of independent experts to provide transparency and development of balanced monetary policy. Proposals and recommendations in the sphere of monetary policy developed in the course of discussions at the expert forums were further taken into account in development of this policy.

State budget deficit predetermined significant supply of money from the sector of public funds and therefore had impact on monetary constituent of inflation. Regular meetings were held within the framework of the Interagency Coordination Council for immediate coordination of monetary and fiscal policy measures of the National Bank and the Ministry of Finance of the Kyrgyz Republic.

The major share of Consumer Price Index (CPI) is still accounted for food products and imported goods. In this respect, domestic consumer prices remained dependent of the situation in the global commodity markets, which had direct impact on inflation rates in the republic. Restraining factors for rise in prices in the domestic market was development of prices for crops, stable and characterized by downward trend against expectations and actual high harvest in 2013 on the one part, and saturation of domestic food market due to good harvest of agricultural crops on the other part. Thus, for example, import prices for wheat with gluten of 23.0-24.0 percent, which is supplied from Kazakhstan (delivery from Lugovaya station), decreased by 34.6 percent in 2013.

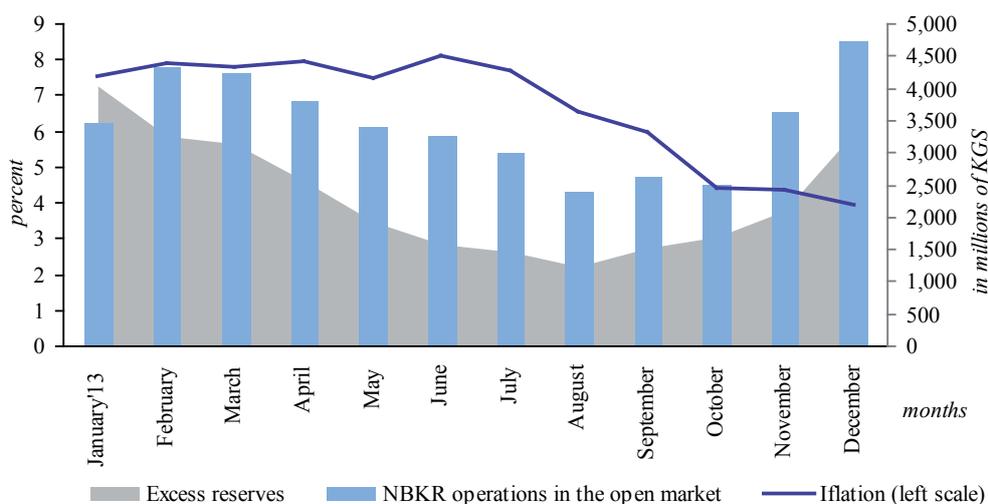
Factors of inflation

In 2013, as in 2012, implementation of budget remained irregular, which had additional inflation pressure. Finally, increase of excess reserves of the banking system was observed in the beginning and the end of the year. Under such conditions the National Bank increased the volumes of excess liquidity sterilization by means of conducting operations in the open market (the issue of the NBKR Notes and reverse REPO operations) to decrease monetary constituent of inflation. Average daily volume of circulating Notes increased up to KGS 3.2 billion in 2013 (in 2012 – KGS 2.0 billion), while the volume of government securities sold on REPO terms amounted to KGS 515.5 million (in 2012 – KGS 738.5 million). Sterilizing operations of the NBKR contributed to preserving moderate growth of excess reserves in the banking system, average daily volume thereof amounted to KGS 2.3 billion in 2013, having increased by 9.5 percent compared to the same indicator for 2012. The volume of reserve money increased over the year by 13.4 percent.

Monetary policy measures

Chart 2.1.1.

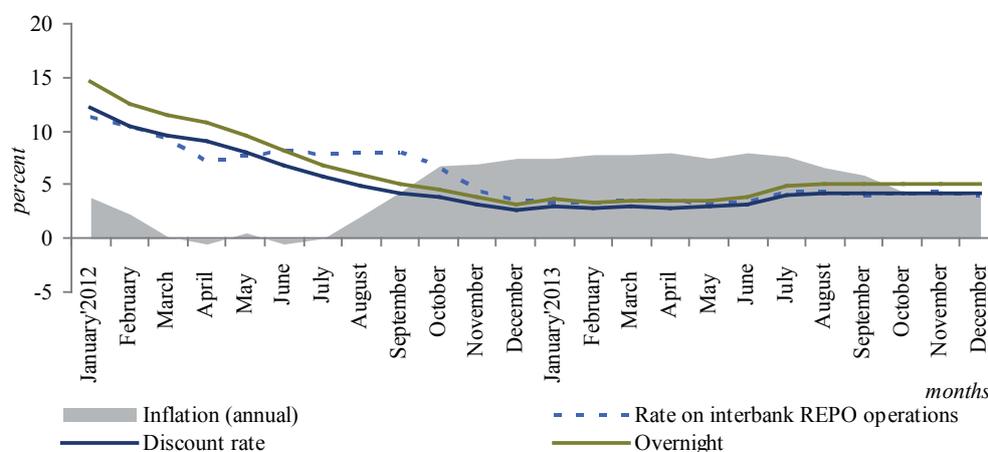
Development of Inflation, Excess Reserves and NBKR Operations in the Open Market



Yield of the NBKR Notes increased with growth in the volume of their issue. Finally, the discount rate increased, which level was dependent of the yield of 28-day NBKR Notes.

Chart 2.1.2.

Development of Inflation, Rates of NBKR and Interbank REPO operations (end of period)



Foreign exchange policy

Foreign exchange policy was conducted in compliance with the regime of floating exchange rate applied by the Kyrgyz Republic. The NBKR carried out interventions in the interbank foreign exchange market to smooth sharp fluctuations of the US dollar exchange rate in relation to the Kyrgyz som. Generally, the situation in the foreign exchange market was stable and the NBKR interventions were reduced to minimum.

Improvement of monetary policy

In 2013, the National Bank kept strengthening forecasting and analysis block by means of introduction of Forecasting and Policy Analysis System – FPAS). Such system will significantly strengthen scientific basis of monetary policy and systematize the process of forecasting and decision-making in the sphere of monetary policy.

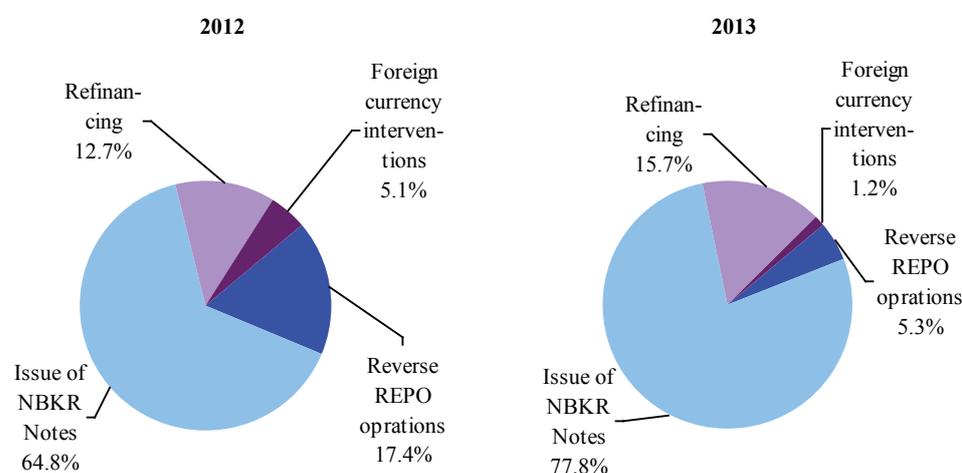
2.2. Monetary Policy Implementation

In 2013, the National Bank conducted operations to sterilize excess liquidity of the banking system, primarily by means of notes auctions. Moreover, reverse REPO operations were conducted to additionally withdraw excess liquidity of commercial banks. Based on the results of the reporting year, the share of issued NBKR Notes in the structure of the NBKR operations increased from 64.8 percent in 2012 to 77.8 percent, whereas the volume of reverse REPO operations decreased up to 5.3 percent (17.4 percent in 2012).

The National Bank increased the volume of refinancing operations due to increased demand for loan resources from commercial banks. Besides overnight credits, the National Bank provided resources to commercial banks by means of credit auctions. Generally, in 2013, the share of refinancing operations in the total volume of the NBKR operations increased by 3.0 percentage points, up to 15.7 percent compared to 2012.

Chart 2.2.1.

Structure of the National Bank Operations



In the reporting year and in 2012, relative balance in the domestic foreign exchange market allowed abating the presence of the National Bank in the interbank foreign exchange market. In 2013, the share of foreign exchange interventions in the structure of NBKR operations decreased by 3.9 percentage points compared to 2012 and corresponded to 1.2 percent. In 2013, the National Bank acted as a seller in the foreign exchange market and the net sale of non-cash US dollars amounted to USD 14.7 million (USD 38.3 million in 2012).

The National Bank also conducted transactions for purchase of gold with the total value of KGS 1,198.0 million in the domestic market in 2013.

2.2.1. Domestic Foreign Exchange Market Operations

The situation in the domestic foreign exchange market was rather steady in 2013. Thus the range of exchange rate fluctuation between minimum (KGS 47.3868 per 1 US dollar) and maximum value (KGS 49.5000 per 1 US dollar) in absolute terms was KGS 2.1.

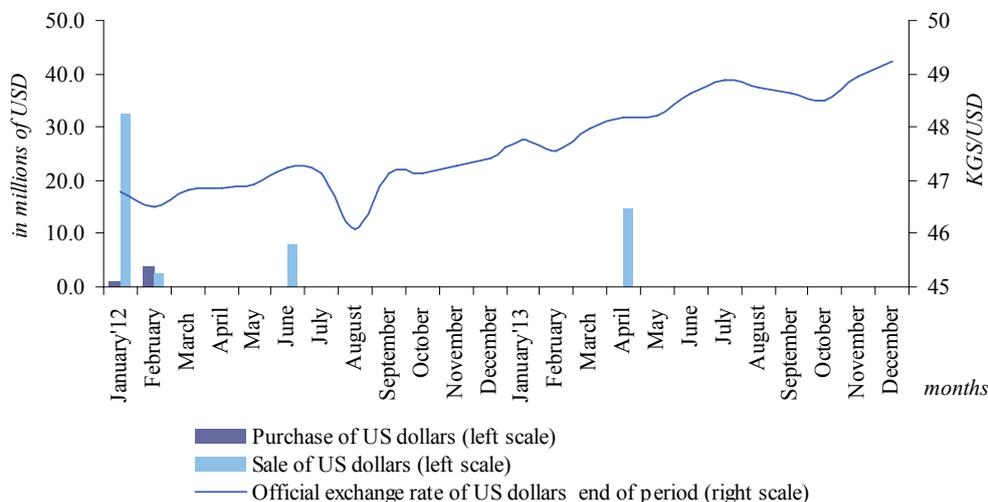
The overall volume of operations in the domestic foreign exchange market increased by 13.2 percent as compared to 2012 and amounted to USD 1.1 billion.

The share of the National Bank participation in the domestic foreign exchange market reduced to minimum compared to the previous years. The share of operations of

the NBKR decreased and corresponded to 1.3 percent of the total volume of operations concluded in the foreign exchange market (in 2012 this value corresponded to 4.7 percent, in 2011 - 44.3 percent).

Chart 2.2.1.1.

NBKR Operations at the Interbank Foreign Exchange Auctions



In 2013, excess of imports to the Kyrgyz Republic over exports by 2.7 times brought pressure on the exchange rate on the part of demand for the foreign currency. According to preliminary data, import in 2013 increased by 8.7 percent compared to 2012 and its total volume amounted to USD 5.6 billion. Export increased by 4.8 percent and amounted to USD 2.0 billion.

According to preliminary data, net capital transfers in the reporting period increased by 7.9 percent compared to the previous year. However, slowdown of average monthly growth rates of transfers were observed.

Finally, the official US dollar exchange rate increased by 3.9 percent from KGS 47.4012 to 49.2470 per 1 US dollar.

The National Bank conducted no transactions on purchase of US dollars, purchase/sale of other foreign currencies, as well as SWAP operations in the domestic foreign exchange market in 2013.

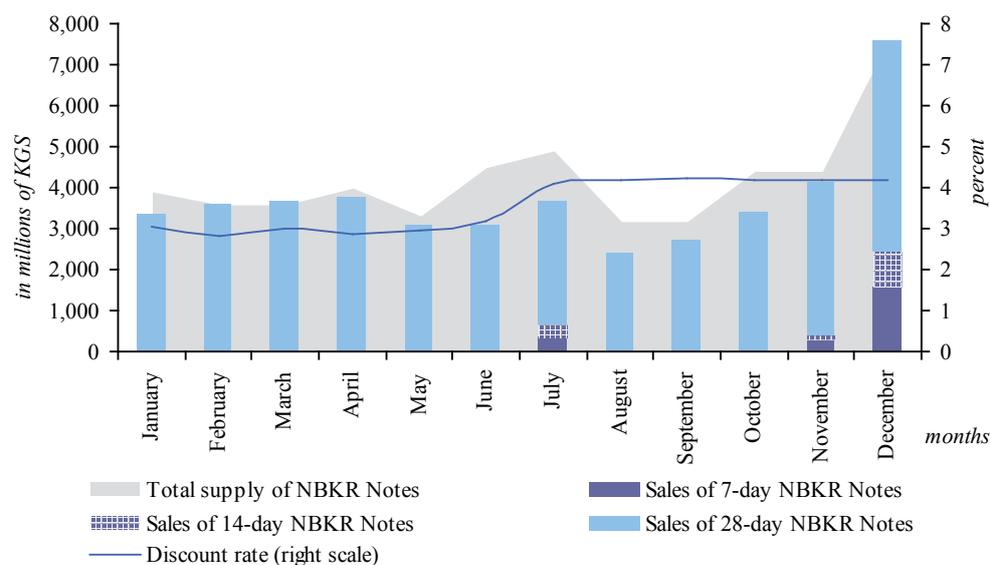
2.2.2. Operations with NBKR Notes and NBKR Discount Rate

Operations with the NBKR Notes

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

Proceeding from the monetary policy tasks and considering the level of liquidity in the banking system, the National Bank increased the overall volume of sale of NBKR Notes from KGS 28.5 billion in 2012 to KGS 44.6 billion in 2013.

The NBKR Notes with maturity of 28 days were sold the most (92.1 percent), followed by Notes with maturity of 7 and 14 days – 5.1 percent and 2.8 percent respectively.

Chart 2.2.2.1.**Sales of NBKR Notes and NBKR Discount Rate Development in 2013**

The discount rate, which is one of the monetary policy tools, was determined based on the yield of 28-day NBKR Notes. According to the mechanism applied to define the discount rate, the value of the discount rate was equated to the average weighted yield of 28-day NBKR Notes for the last four auctions.

Discount rate

The National Bank defines the rates of other monetary policy instruments by means of the discount rate. Furthermore, the discount rate is used by all economic entities to calculate fines and penalties for delays in various payments.

The average level of the discount rate in 2013 was 3.55 percent, which is by 3.30 percentage points lower compared to the same indicator of the previous year. At the end of December of 2013, the NBKR discount rate amounted to 4.17 percent, whereas in the beginning of 2013 it was 2.69 percent.

2.2.3. REPO Operations

In 2013, the National Bank performed operations to sell government securities on REPO terms (reverse REPO) in order to balance the level of excess liquidity and withdraw short-and medium-term liquidity. These transactions were made with Government Treasury Bills for settlement (ST-Bills(s)) and Government Treasury Bonds (ST-Bonds) in the portfolio of the National Bank.

In 2013, the total volume of REPO operations of the National Bank decreased by more than two times compared to 2012 and amounted to KGS 3.2 billion. Average weighted term of reverse REPO operations constituted 33 days, whereas the average weighted yield of these operations reduced from 7.5 percent in 2012 to 3.5 percent in 2013.

Volume of REPO operations

Table 2.2.3.1.

REPO Operations of NBKR
(in millions of KGS)

	OI	QII	QIII	QIV	Total
2012, total	1,898.5	2,476.8	1,705.6	1,595.5	7,676.3
<i>including:</i>					
direct REPO operations	-	-	-	-	-
reverse REPO operations	1,898.5	2,476.8	1,705.6	1,595.5	7,676.3
2013, total	1,892.4	749.0	-	584.4	3,225.8
<i>including:</i>					
direct REPO operations	-	-	-	-	-
reverse REPO operations	1,892.4	749.0	-	584.4	3,225.8

2.2.4. Refinancing of Banks

Refinancing of banks is one of the tools to maintain the liquidity of commercial banks and mitigate its current fluctuations.

In 2013, the National Bank used the following types of refinancing the commercial banks:

- the intraday credit, provided in the national currency on an interest-free basis during an operational day for several hours, secured by the collateral, to increase the functional efficiency of the payment system;
- the overnight credit, provided in the national currency for one day, with an interest rate of 1.2 of the discount rate, secured by the collateral, to maintain the short-term liquidity of the banks;
- the credit auctions conducted in the national currency with the minimum interest rate of 1.3 of the discount rate, secured by the collateral for lending and maintaining of banks' liquidity, as well as increasing lending to economy.

In 2013, there was no demand for intraday credits of the National Bank from the commercial banks. The overnight credits comprised KGS 8.1 billion increased by 1.6 times compared to the same indicator for 2012. The average annual rate on overnight credits was 3.9 percent in 2013, which is by 4.4 percentage points lower than 2012.

Credit auctions

Work on improvement of tool on providing loans to commercial banks within credit auctions was carried out in 2013. In particular, conditions of receiving loans by banks were eased. Besides the government securities, non-cash foreign currency and credit portfolios of commercial banks were also accepted as the collateral. Moreover, the possibility of prolongation of credits was provided, which increased interest of the financial market participants in this tool.

In overall, in 2013, loans were provided to the amount of KGS 900.9 million within the frame work of credit auctions, including NFCIs which were provided with KGS 106.5 million through the commercial banks.

Table 2.2.4.1.

Intraday Credits
(in millions of KGS)

	QI	QII	QIII	QIV	Total
2012	30.0	60.0	370.0	220.0	680.0
2013	-	-	-	-	0.0

Table 2.2.4.2.

Overnight Credits
(in millions of KGS)

	QI	QII	QIII	QIV	Total
2012	173.5	719.0	392.0	3,627.7	4,912.2
2013	297.4	4,480.8	2,947.0	370.0	8,095.2

Table 2.2.4.3.

Credit Auctions*
(in millions of KGS)

	QI	QII	QIII	QIV	Total
2012	-	-	-	-	0.0
2013	95.0	337.0	298.8	170.1	900.9

*The volume of actually extended credits within specified period

2.2.5. Reserve Requirements

Reserve requirements (RR) are one of the monetary policy tools for regulating the volume of money aggregates, bank loans and demand for liquidity. Reserve requirements are the certain amount, which should be deposited by the operating banks on the correspondent account with the National Bank in compliance with the set requirements. Reserve requirements are set by the Board of the National Bank based on the objectives of pursued monetary policy.

In 2013, the level of reserve requirements remained at the level of 9.0 percent of the effective base and had not been changed since 2011.

At the end of 2013, following increase in deposits, the volume of reserve requirements amounted to KGS 5.3 billion, having increased by 31.5 percent.

Reserve requirements

Table 2.2.5.1.

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

	QI	QII	QIII	QIV
2012, total	4 996,2	5 222,9	5 443,7	6 900,5
<i>including:</i>				
required reserves	3 096,1	3 399,7	3 641,7	3 918,1
excess reserves	1 900,1	1 823,2	1 802,0	2 982,4
2013, total	7 591,1	6 340,8	5 993,7	7 362,6
<i>including:</i>				
required reserves	4 106,2	4 298,4	4 572,1	4 976,3
excess reserves	3 484,9	2 042,4	1 421,6	2 386,3

* average values for the period

2.3. International Reserves Management

Maintenance of liquidity and safety of reserve assets in line with the core principles are the priority tasks of the National Bank in the area of management of international reserves, as stipulated in the Law “On the National Bank of the Kyrgyz Republic”.

Management of international reserves is regulated by the Investment Policy, the Risk Management Policy in Management of International Reserves, the Regulations “On the Benchmark Portfolio of International Reserves of the National Bank of the

Kyrgyz Republic for 2013”, and “On Limits in Management of Investment Asset of International Reserves”.

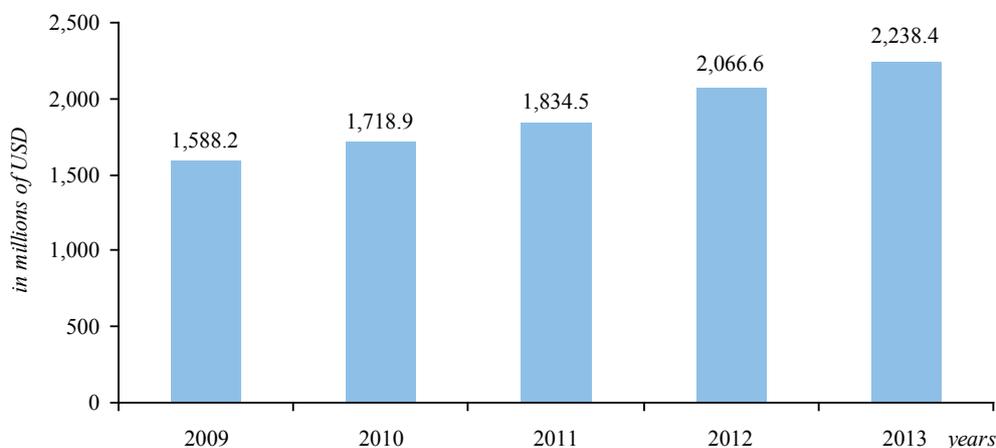
The Board and the Investment Committee of the National Bank were in charge of the decision-making in the part of determining the investment strategy of the Bank, portfolio structure of international reserves, the ratio of risks and the yield of investment tools, as well as a selection of bank counterparties. The Investment Committee held 15 meetings on issues of managing international reserves in 2013. Criteria requirements and restrictions on the counterparties, the types of tools, the amounts and duration of investment were established to minimize the risks arising in reserve asset management.

Structure and volume of IR

The total of reserves was equivalent to USD 2.2 billion at the end of 2013, having thus increased by USD 171.8 million or by 8.3 percent over the year. The structure of international reserves of the National Bank comprises the assets in gold, the Special Drawing Rights, and the portfolio of foreign currencies.

Chart 2.3.1.

Gross International Reserves of NBKR
(in millions of USD)



The main sources of growth of international reserves in 2013 were currency receipts purchased from the Government and received from international financial institutions and donor countries, as well as revenues accrued from international reserves management, and gold purchased by the National Bank at the domestic market of Kyrgyzstan. In addition, the dollar equivalent of international reserves was influenced by change in the foreign currency exchange rates of the portfolio and the prices for precious metals.

Tables 2.3.1.

Structure of the NBKR Reserve Assets (end of period)
(in percent)

	2012	2013
Foreign Currency Portfolio	83.1	84.9
Gold	7.9	6.2
Special Drawing Rights	9.0	8.8
Total	100.0	100.0

Structure of foreign currency portfolio of IR

In 2013, the foreign currency portfolio of international reserves comprised US dollars, Euro, Swiss francs, the British pounds, the Australian and Canadian dollars, as well as Japanese yens, Russian rubles, Chinese yuans and Singapore dollars, as well as new currencies – Norwegian and Swedish kronas, purchased in 2013.

Table 2.3.2.

Structure of Allocation of NBKR International Reserves (end of period)
(in percent)

	2012	2013
International Financial Institutions	24.4	19.3
Central Banks	38.3	37.5
Commercial Banks	35.8	41.1
NBKR	1.5	2.0
Total	100.0	100.0

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

IR structure

The assets of the working capital were invested into the most liquid instruments and were used for operations in the domestic interbank foreign exchange market and for the payments of the National Bank and the Government in foreign currency (including servicing of the foreign debt).

Allocation of working capital

The investment portfolio was managed in compliance with the approved benchmark portfolio of international reserves. The National Bank invested the international reserves into the highly reliable and liquid instruments: securities, time deposits, as well as into one-day REPO operations. The portfolio of securities comprised of the government securities of Australia, Great Britain, Canada, France, as well as the short-and medium-term investment instruments of the Bank for International Settlements. Time deposits were placed with the international financial institutions, with the foreign central and commercial banks with high international rating.

Management of investment portfolio

The events occurring in the global financial markets had essential impact on carrying out investment policy in 2013. Against remaining consequences of financial crisis, leading central banks of the world continued to pursue the monetary policy aimed at supporting the economy. Despite certain signs of economic recovery in the USA and Great Britain, the central banks of the developed countries had to make a difficult choice in decision making process. The US Federal Reserve System, being guided by initial signs of economic recovery in the USA, made the decision to initiate curtailing of the quantitative easing program of monetary policy by repurchasing of the government bonds. The European Central Bank, on the contrary, took measures for supporting the economy and improvement of banking standards, and, along with the Reserve Bank of Australia, lowered the level of the key interest rate. Such moderate monetary policy conducted by the central banks in recent years conditioned low values of interest rates, which in turn contributed to reduction of the government securities yield in the main developed countries and had impact on change of profitability of the international reserves.

2.4. Monetary Policy Results

The monetary base grew by KGS 8.7¹ billion or 13.4 percent and totaled KGS 73.1 billion (in 2012– by 17.7 percent, up to KGS 64.5 billion). The supply of money in the economy was carried out mainly from the sector of public funds due to remaining problems with the budget consolidation. Operations of the Government of the Kyrgyz Republic contributed to growth of monetary base by KGS 10.4 billion. Sterilizing

¹ By means of rounding, to two decimal places – KGS 8.65 billion.

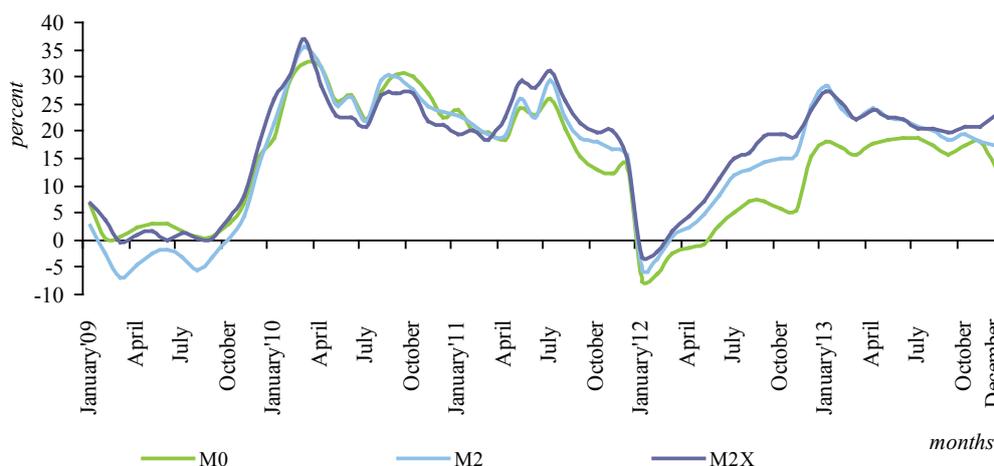
Monetary aggregates

operations of the National Bank decreased monetary base by KGS 1.8 billion (in 2012, operations of the Government increased monetary base by KGS 12.3 billion, operations of the National Bank reduced monetary base by KGS 2.6 billion, as a result monetary base grew by KGS 9.7 billion).

In 2013, the monetary aggregate M0 (money outside banks) increased by KGS 7.4 billion or by 13.5 percent and totaled KGS 61.9 billion by the end of 2013 (in 2012 it increased by 15.5 percent). The monetary aggregate M2 (M0 + deposits, including settlement accounts in the national currency) increased in 2013 by KGS 13.5 billion or 17.4 percent, up to KGS 91.0 billion (in 2012 it increased by 24.7 percent), whereas deposits in the national currency increased by 26.7 percent.

Chart 2.4.1.

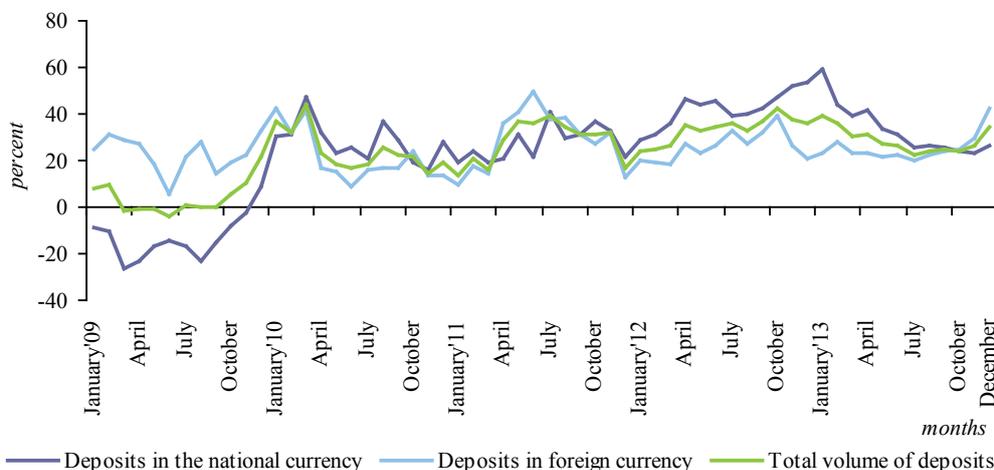
Annual Rates of Change in Monetary Aggregates (end of period)



As of the end of December 2013, the broad money M2X (M2 + deposits, including settlement accounts in foreign currency) equaled to KGS 120.9 billion, having increased by KGS 22.4 billion or 22.8 percent over 2013 (in 2012 it increased by 23.8 percent). Growth of broad money M2X was provided by deposits¹ of the banking system, as their volume increased by 34.2 percent or KGS 15.0 billion, including deposits in foreign currency, which increased by 42.4 percent.

Chart 2.4.2.

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



¹ Excluding deposits of the Government of the Kyrgyz Republic and non-residents.

Net foreign assets of the banking system made the major contribution (15.9 percent) to growth of broad money M2X, primarily by means of external receipts for budget supporting in the amount of USD 224.8 million and tax liabilities to the budget in foreign currency to the amount of USD 141.7 million. Net domestic assets contributed to growth of broad money M2X (6.8 percent) due to increased lending to the economy by 36.1 percent.

Table 2.4.1.

Sources of Broad Money Supply M2X (end of period)
(in millions of KGS)

	2012	2013	Growth, <i>mln. KGS</i>	Growth rate, <i>in percent</i>	Impact on M2X, <i>in percent</i>
Net foreign assets	90,023.2	105,723.8	15,700.5	17.4	15.9
Net international reserves	95,910.6	110,241.4	14,330.8	14.9	14.6
Other foreign assets	305.0	1,908.6	1,603.7	525.8	1.6
Distribution of SDR	-6,192.3	-6,426.3	-234.0	3.8	-0.2
Long-term foreign liabilities	0.0	0.0	0.0	0.0	0.0
Net domestic assets	8,459.6	15,179.7	6,720.1	79.4	6.8
Net claims to general government	-3,700.9	-8,307.8	-4,607.0	124.5	-4.7
Net claim to the Government	-2,020.9	-6,627.8	-4,607.0	228.0	-4.7
Net claims to special funds	-1,680.0	-1,680.0	0.0	0.0	0.0
Kyrgyz Republic Development Fund	-1,680.0	-1,680.0	0.0	0.0	0.0
Claims to other sectors	42,036.5	57,191.1	15,154.6	36.1	15.4
Other items	2,438.2	-1,377.0	-3,815.1	-156.5	-3.9
Capital account	-32,314.1	-32,326.6	-12.5	0.0	0.0
Broad money M2X	98,482.9	120,903.4	22,420.6	22.8	22.8
Money outside banks	54,521.2	61,907.2	7,386.1	13.5	7.5
Deposits of other deposit corporations	43,961.7	58,996.2	15,034.5	34.2	15.3
Deposits in the national currency	22,939.4	29,055.4	6,116.0	26.7	6.2
Deposits in foreign currency	21,022.3	29,940.8	8,918.5	42.4	9.1

Measure taken by the NBKR to sterilize excess reserves in the banking system provided conditions for decreasing the level of core inflation¹ from 11.4 percent as of the end of December 2012 to 7.4 percent as of the end of 2013 (in annual terms). Pursued monetary policy, stable dynamics in the global commodity market, high level of expected harvest of agricultural crops in the republic and moderate rates of wages growth contributed to decrease in inflation rates. Average value of price index for FAO² food products constituted 209.9 points, having thus decreased by 1.6 percent compared to the same indicator for 2012. At the end of 2013, the level of inflation was 4.0 percent (December of 2013 to December of 2012), where as in 2012 the inflation was 7.5 percent and corresponds with declared quantitative benchmark of the monetary policy for the medium-term.

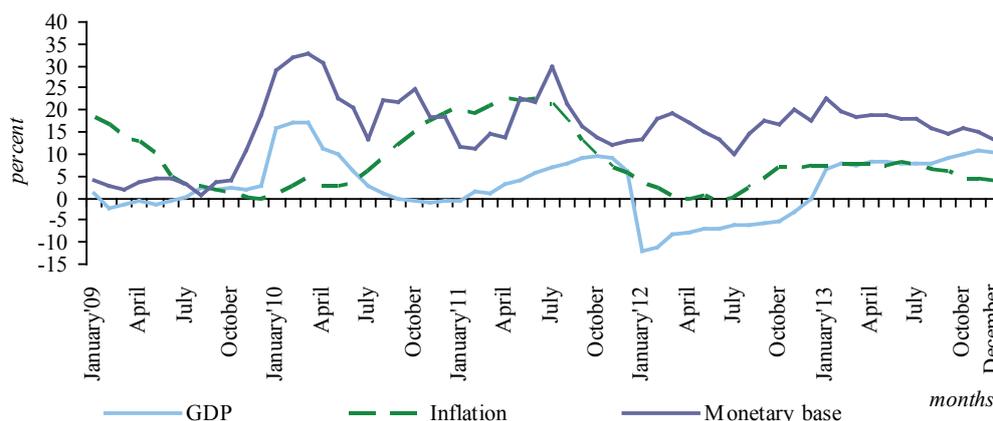
Inflation

¹ Inflation, which is calculated excluding goods with expressed seasonality, administratively regulated goods and energy carriers (foods products, energy carriers, gas and other types of fuel), so-called monetary inflation.

² Indicator for monthly change of global prices for the basket of food products and raw materials. It is calculated on the basis of average values of price indices for five groups of goods weighted with regard to average indicator of the share of this group in the volume of export for 2002-2004.

Chart 2.4.3.

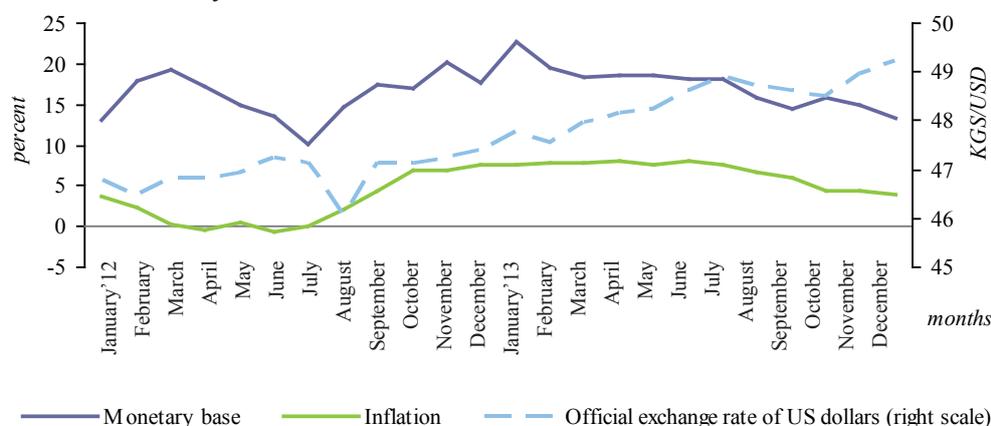
Annual Rates of Change in Monetary Base, CPI and GDP (end of period)

*Foreign exchange market*

Generally, the situation in the foreign exchange market in 2013 was stable, supply and demand of foreign currency in the interbank foreign exchange market were almost balanced. Only in April, the significant excess demand required the NBKR interventions in the foreign exchange market. Thus, the volume of foreign currency intervention on sale of US dollars amounted to USD 14.7 million in 2013 (in 2012 – USD 47.9 million). In 2013, the US dollar exchange rate in relation to the Kyrgyz som increased by 3.9 percent and as of the end of December amounted to KGS 49.2470 per 1 US dollar.

Chart 2.4.4.

Development of Official Exchange Rate of US Dollar to Kyrgyz Som, Annual Rates of Inflation and Money outside Banks

*REER and NEER*

According to preliminary data, Nominal Effective Exchange Rate Index (NEER) increased by 1.3 percent since the beginning of 2013 and as of the end of December constituted 112.2. Increase was conditioned by strengthening¹ of the Kyrgyz som in December 2013 compared to the average rate for December 2012 by 11.3 percent in relation to the Turkish lira, 3.2 percent – to the Russian ruble. Moreover, the Kyrgyz som depreciated by 6.1 percent in relation to the Chinese yuan, 8.0 percent – to euro, 3.7 percent – to the US dollar, 1.5 percent – to the Kazakh tenge.

Despite lower level of inflation² in trading partner-countries, increase of NEER of the Kyrgyz som conditioned growth of the Real Effective Exchange Rate Index (REER), which increased by 0.8 percent since December 2012 and by the end of December 2013 constituted 113.5.

¹ The Data for nominal bilateral exchange rate of Kyrgyz som, year 2000 is taken as base period for calculation of the index.

² Inflation in the Kyrgyz Republic in 2013 was 4.0 percent, while the average level of inflation in the countries major trading partners, according to preliminary calculations, was 4.6 percent.

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

Supervision and regulation of activity of financial-credit institutions is carried out in compliance with the laws of the Kyrgyz Republic to keep stable banking system and protection of depositors' and creditors' rights.

In 2013, as in 2012, the banking system developed progressively, preserving sustainability and potential for increasing the level of intermediation and efficiency of operation.

Work on improvement of quality and efficiency of the banking supervision was still carried out in the reporting period. The main vector of this work was directed to increasing the quality of risk assessment taken by each bank and to implementing the best distribution of supervisory resources with regard to these assessments.

3.1. Banking Supervision

3.1.1. Licensing

By the end of 2013, there were 24 commercial banks operating in the territory of the Kyrgyz Republic. The aggregate amount of paid authorized capital of all banks totaled KGS 10.44 billion, the share of foreign capital constituted 36.5 percent or KGS 3.8 billion of the authorized capital. The total volume of authorized capital of all banks increased by KGS 0.6 billion or by 6.0 percent.

*Authorized capital
of banks*

Foreign investors were attracted to the banking sector: investors from Switzerland carried out rehabilitation of OJSC "Kyrgyzdyikanbank"; significant shares portfolio of the OJSC "Zalkar Bank" was purchased by the Russian investor.

In accordance with the laws of the Kyrgyz Republic, the National Bank considered applications of the new investors to purchase shares of the commercial banks, procedures of approving candidacies of banks' officials were also carried out.

In 2013, three banks changed their names: OJSC "UniCreditBank" for OJSC "Optima Bank", OJSC "Zalkar Bank" for OJSC "Rosinbank", OJSC "Akylinvestbank" for OJSC "Capital Bank".

Numbers of branches and cash offices grew over the reporting period, thus expanding the access of the population in regions to banking services. Banks opened 11 branch offices, 49 stationary cash offices and 24 field cash offices in different regions of the country.

*Branches and cash
offices*

Table 3.1.1.1.

Development of the Branch Network, Stationary Cash Offices and Field Cash Offices

	Number of branches		Number of stationary cash offices		Number of field cash offices	
	2012	2013	2012	2013	2012	2013
Bishkek	57	56	227	241	18	26
Batken Oblast	18	19	54	56	-	1
Jalal-Abad Oblast	42	46	120	126	1	4
Issyk-Kul Oblast	38	38	30	40	9	10
Naryn Oblast	19	20	13	13	1	1
Osh Oblast	50	53	131	142	8	14
Talas Oblast	15	15	12	12	-	1
Chui Oblast	38	40	45	51	4	8
Total:	277	287	632	681	41	65

3.1.2. Off-Site Supervision

In 2013, off-site supervision of commercial banks activities was conducted within the framework of supervision strategies approved for each commercial bank and general strategy of supervision over activities of commercial banks carried out in the Kyrgyz Republic.

Supervision strategy for every commercial bank was developed based on findings of monitoring and analysis of regulatory reports, and results of inspections and audit opinions.

Bank supervision in the reporting period was primarily focused on risk assessment, for this purpose CAMELS rating indicators were used. Supervisory regulation measures were applied to protect interests of depositors and creditors of commercial banks, as well as to maintain stability of the banking sector and to ensure compliance with the current legislation of the Kyrgyz Republic.

In 2013, approaches to separate supervisory processes and forms of internal reporting were reviewed to reveal problems existing in the commercial banks at early stage. Thus, monitoring of risk level and compliance with prudential standards of activity was carried out along with implementation of assessment of assets quality, capital sufficiency, profitability factors, liquidity management, identification of risks and their assessment was carried out. Interrelations between indicators, factors of change of these indicators were thus studied, stress testing was carried out.

Appeals of the customers and participants (stockholders) of the banking system on legal issues were considered under the off-site supervision, including those related to bank services, credit administration and consumer rights protection. Consultations were rendered to bank depositors, borrowers and pledgers of the banks.

In 2013, increase of the banking sector significance in the economy was among the results of its development in the Kyrgyz Republic: assets increased by 27.2 percent and amounted to KGS 110.4 billion; credit portfolio grew by 34.6 percent and amounted to KGS 53.8 billion; deposit base increased by 33.6 percent up to KGS 71.1 billion; indicators of financial intermediation increased by 1.7 percent and made 31.5 percent. In 2013, regulatory capital¹ increased by 17.4 percent and amounted to KGS 18.7 billion.

¹ Estimate indicator ("net" total capital) covering the capital of shareholders of the bank, financial result of the activity over the reporting and previous years, created reserves, excluding investments into affiliated organizations and capital of other financial-credit institutions. This estimate indicator is used for calculation of prudential regulations established by the NBKR.

The total capital adequacy ratio significantly exceeded its required level, which indicates that the banking system has certain potential for expanding the supply of financial services.

Capital indicators

Table 3.1.2.1.

Capital of Commercial Banks (end of period)

	2012	2013
"Net" total capital, in millions of KGS	15,885.8	18,657.0
"Net" risk assets ¹ , in millions of KGS	56,192.7	76,216.7
Total capital adequacy ratio, in percent (K 2.2)	28.3	24.5
Total capital adequacy requirement (not less), in percent	12.0	12.0

¹ «Net» risk assets include credits to clients, leasing, corporate securities, cash assets placed in foreign banks and other assets and off-balance sheet liabilities weighted by the credit risk associated with them.

Credit risk is estimated based on classification of assets and off-balance sheet liabilities¹. The risk of credit loss² decreased at the end of 2013 and as compared with the end of 2012 (4.7 percent) corresponded to 3.3 percent.

Credit risk

At the end of 2013, the amount of overdue loans was KGS 2.9 billion, or 5.5 percent of all assets bearing the risk of credit losses. In the end of 2011, the same indicator constituted 7.2 percent.

The exchange risk is considered from the point of contingent losses of the bank due to the changes in the value of its assets and liabilities in foreign currency when the exchange rate changes. This risk is assessed proceeding from the ratio of assets and liabilities in foreign currency, as well as their shares in total assets or liabilities of commercial banks. Following the results of 2013, the foreign currency assets of the banking system totaled KGS 51.8 billion or 46.9 percent of total assets. Liabilities of commercial banks in foreign currency equaled to KGS 47.4 billion or 52.5 percent of all liabilities. Considering total reserves in foreign currency amounting to KGS 587.0 million, as well as funds equated with liabilities in foreign currency for KGS 2.7 billion, cumulative open currency position of the banking system was long at the end of 2013, amounting to KGS 1054.0 million or 3.2 percent of net total capital of the banking system.

Exchange risk

Table 3.1.2.2.

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

	2012	2013
Assets in foreign currency, in millions of KGS	40,086.3	51,766.2
Assets in foreign currency, in percent	46.2	46.9
Liabilities in foreign currency, in millions of KGS	36,941.2	47,442.1
Liabilities in foreign currency, in percent	52.9	52.5

* On NBKR Discount Rate as of the end of 2012 and the end of 2013

The liquidity risk is considered from the point of view of coverage of liabilities by the assets in each maturity interval that allows estimating the need for funds in case of a gap in maturities and liabilities. The analysis of liquidity risks of commercial banks conducted in 2013 showed that the negative gap in maturities of assets and liabilities

Liquidity risk

¹ The data is given in section 1.4 "Banking Sector", Table 1.4.2. "Classification of Assets, Off-Balance Sheet Liabilities and Credits to Clients".

² It is calculated as a ratio of created special reserves for loan loss provision (excluding loans extended to financial-credit institutions) to the total amount of credit portfolio.

was observed with regard to maturities of up to 30 days, however, the positive gap by maturities of more than 90 days shows that the banks have long-term sources of coverage of their liabilities.

Table 3.1.2.3.

Assets and Liabilities by Maturities (end of period)
(in millions of KGS)

2012*	Terms in days					Total
	0-30	31-90	91-180	181-365	over 365	
Financial assets	35,812.4	4,884.8	5,504.3	10,430.3	32,970.1	89,602.0
Financial liabilities	39,684.0	5,904.6	4,798.5	7,596.4	11,856.3	69,839.8
Amount of excess of financial assets over financial liabilities	-3,871.6	-1,019.8	705.9	2,833.9	21,113.8	19,762.1
in percent of the total financial assets	-4.3%	-1.1%	0.8%	3.2%	23.6%	22.1%

* Data as of December 31, 2012, inclusive.

2013*	Terms in days					Total
	0-30	31-90	91-180	181-365	over 365	
Financial assets	41,199.3	6,148.2	8,225.5	12,540.9	45,004.6	113,118.5
Financial liabilities	49,231.3	6,165.0	7,993.3	10,273.3	16,651.1	90,314.0
Amount of excess of financial assets over financial liabilities	-8,032.0	-16.7	232.2	2,267.6	28,353.5	22,804.5
in percent of the total financial assets	-7.1%	0.0%	0.2%	2.0%	25.1%	20.2%

* Data as of December 31, 2013, inclusive.

In 2013, the International Monetary Fund and the World Bank conducted comprehensive assessment of financial systems in the Kyrgyz Republic within the framework of initiative “Financial Sector Assessment Program” (FPAS). Following the results of this assessment, the experts assessed positively activities carried out by the NBKR and commercial banks, aimed at development of financial system.

In 2013, Main Guidelines of the Banking Sector Development in the Kyrgyz Republic for 2014-2017 was developed jointly with commercial banks and the Union of Banks of Kyrgyzstan. This document considers events included in the National Strategy for Sustainable Development of the Kyrgyz Republic for 2013-2017 and the Program of the Government on Transition of the Kyrgyz Republic to Sustainable Development for 2013-2017. Implementation of reforms envisaged by the Main Guidelines will contribute to raising access of the population to new banking products, decreasing interest rates and tariffs for banking services.

3.1.3. On-Site Inspection

Comprehensive inspections of commercial banks were carried out within the supervision cycle, on the basis of CAMELS rating system. In the reporting year, target inspections were also carried out in certain commercial banks to ascertain their compliance with the banking legislation in carrying out lending, foreign exchange and cash operations, fulfillment of requirements on adequate reserves formation on assets, calculation of prudential norms established by the National Bank and abidance by legislation on counter-terrorism financing and anti-money laundering.

In 2013, 17 comprehensive and 12 target inspections were conducted on various

aspects of banking activity. Based on the findings of these inspections appropriate supervision regulation measures were taken and action plans on elimination of performance deficiencies revealed in the course of inspections were developed for management of respective commercial banks and submitted to the National Bank.

As stipulated by the legislation, and under bilateral agreement made between the National Bank and the State Financial Intelligence Service of the Kyrgyz Republic, information on compliance of commercial banks with the requirements of the laws on counter-terrorism financing and anti-money laundering was submitted to the appropriate authorized body.

Results of comprehensive inspections of last period indicated that, generally, financial condition of commercial banks was satisfactory. Some increase was observed in level of risks in activity of the banking sector that is resulted from recovery of activity of separate banks. Generally, practice of credit administration on banks is satisfactory, except for some shortcomings; the National Bank gave instructions about development of plans on their elimination. There were violations of the legislation regarding carrying out operations with insiders and with affiliates, classification of assets and creation of adequate reserves, credit risk management, accounting of other property, violations in calculation of some prudential standards and coefficients, and also incorrect filling in PRBR sections. Measures of supervising response were applied to separate banks in connection with shortcomings in the systems of internal control and bank risks management.

Following the results of comprehensive inspections carried out in commercial banks, meetings were held with administration of banks to discuss revealed shortcomings, measures for their elimination and terms for implementation.

3.1.4. Enforcement Measures

In 2013, direct banking supervision was maintained in OJSC “FinanceCreditBank” and in CJSC “BTA Bank” for goal-directed and efficient monitoring and control of operations on sites. These banks functioned in normal mode and rendered full range of banking services. Following the Law “On Conservation, Liquidation and Bankruptcy of Banks”, conservation regime was maintained in JSC “KyrgyzCreditBank”, CJSC “Manas Bank”, OJSC “Investbank “Issyk-Kul” to ensure security of assets and to protect interests of their depositors and borrowers.

The Supervision Committee of the National Bank held 46 meetings, in the course of which 189 issues related to the activities of commercial banks were considered. In the reporting year, the Committee set restrictions on attraction of deposits from individuals and legal entities for two banks, certain heads of commercial banks were recognized involved in implementation of unhealthy banking practice and the requirement on their replacement was submitted.

Enforcement measures were also taken following the results of conducted inspections and within the framework of external supervision. These measures were applied for precautionary purposes and were meant for prevention of laws violations.

3.2. Supervision of Nonbank Financial-Credit Institutions

As of the end of 2013, 765 nonbank financial-credit institutions, namely specialized financial-credit institution OJSC “Financial Company of Credit Unions” (FCCU), 277 microfinance organizations, 153 credit unions and 334 exchange bureaus operated in the territory of the Kyrgyz Republic. Thus, activity of OJSC “FCCU”, microfinance companies, credit unions and exchange bureaus is carried out upon a license issued by the National Bank, while microcredit companies and microcredit agencies operate under certificate of accounting registration.

Licensing of NFCI

Authorized capital of NFCI

In 2013, the National Bank issued 47 licenses to exchange bureaus, eight certificates of accounting registration to MCC and MCA.

The total amount of paid authorized capital of nonbank financial-credit institutions was KGS 4.8 billion, while the share of foreign capital in the authorized capital of NFCI was 65.0 percent or KGS 3.1 billion. The total authorized capital of NFCI increased by 11.0 percent or by KGS 0.5 billion.

External supervision

The main efforts of external supervision of nonbank financial-credit institutions were focused on further high-quality growth of sector, in particular, supervising events for minimization of risks were conducted, as well as improvement of availability of financial services on microfinance, MFO capitalization, which finally contributed to increase of sustainability and stability nonbank financial-credit institutions.

Within the framework of supervisory events, due to revealed violations of the laws in operation of the nonbank financial-credit institutions, the following enforcement measures were taken to:

- MFO – 327 instructions, 90 notices, 20 revoked certificates/licenses, 64 certificates with suspended validity;
- CU – 109 instructions, 13 notices, 7 revoked licenses, 20 licenses with suspended validity;
- SFCI – 9 instructions for incompliance with the requirements of regulatory and legal acts of the National Bank.

The analysis of the main aspects of nonbank financial-credit institutions activity was carried out, assessment of assets quality, capital sufficiency, factors of profitability, risk management and internal control was conducted. The appropriate enforcement measures meant for elimination of violations of laws and regulatory and legal acts in the course of activity carried out by the NFCI and improvement of financial condition were taken on the basis of monitoring and analysis of provided regulatory reporting and results of inspections.

Addresses of borrowers concerning microcrediting and protection of consumers' rights were considered within the framework of external supervision. Borrowers were provided with consultations for protection of rights legislatively granted to them.

The main directions of development of nonbank financial-credit institutions sector are carried out within Microfinance Development Strategy for 2011-2015, approved by the joint resolution of the National Bank and the Government of the Kyrgyz Republic. During implementation of the Strategy the indicator of the population coverage with financial services increased to 7.6 percent¹.

Inspection of NFCI

In 2013, the National Bank carried out 225 inspections of MFO, 148 inspections of CU, two inspections of SFCI and 400 inspections of exchange bureaus for compliance with the laws of the Kyrgyz Republic, including the requirements on the issues of counter-terrorism financing and anti-money laundering (CTF/AML).

Inspections were carried out by the staff of the National Bank, and with involvement of representatives of the State Tax Service and the State Service for Combating Economic Crimes under the Government of the Kyrgyz Republic.

In view of revealed violations of the laws in the course of activity conducted by nonbank financial-credit institutions and exchange bureaus, enforcement measures were taken to such institutions in the form of instructions on elimination of revealed violations, suspension of separate operations and certificate/license validity, as well as certificate/license revocation. Besides, enforcement measures were taken to officials in the form of imposing administrative penalties on the officials of NFCI, who allowed violations of the laws of the Kyrgyz Republic, moreover the Supervision Committee decided on replacement of SFCI administration.

¹ This indicator increased by 0.5 percentage points and is calculated as a ratio of number of borrowers to the total population of the Republic.

For execution of instructions of the National Bank, these nonbank financial-credit institutions developed and submitted the action plans on elimination of violations revealed during inspections and shortcomings in their activity, fulfillment thereof was further observed by the National Bank.

Within the framework of the Interagency Action Plan for 2012-2015 on improving the national system of the Kyrgyz Republic on CTF/AML, the National Bank carried out ad-hoc inspections of the activities of NFCI and exchange bureaus to verify their compliance with the requirements of the law on CTF/AML.

Besides, the issues of compliance with the regulatory and legal acts of the National Bank regarding fulfillment of the requirement about informing the clients on the size of an effective interest rate for banking services were considered in the course of ad-hoc inspections.

Agreement “On Cooperation and Exchange of Information between the National Bank of the Kyrgyz Republic and the State Service for Combating Economic Crimes under the Government of the Kyrgyz Republic” was amended in March 2013.

Spot checks of exchange bureaus, including the ones located in the trade and market complex “Dordoi” were conducted jointly with the State Tax Service under the Government of the Kyrgyz Republic and the State Service for Combating Economic Crimes under the Government of the Kyrgyz Republic. The personalities of violators were identified and administrative responsibilities were imposed to the amount of KGS 96 thousand on 66 cases of carrying out exchange operations with foreign currency in cash without the corresponding license issued by the National Bank.

The main indicators of microfinance sector activity keeps growing, therefore supervision and regulation of the NFCI activity is optimized. Thus, development and introduction of new approach to carrying out inspections according to the concept of risk-based supervision became an important measure in supervision development in 2013. Approach to risk-based supervision in carrying out inspections of MFC was piloted in the reporting year.

In April, 2013, in accordance with the Law of the Kyrgyz Republic amendments and addenda were introduced to some legislative acts meant for extension of operations carried out by microfinance organizations and credit unions with agency banking and exchange operations with foreign currency in cash, including providing the right for implementation of operations upon Islamic principles of banking and finance, implementation of operations in foreign currency by MFC and introduction of the principles of protecting the rights of consumers of microfinance services.

The working group on development of the program for raising financial literacy of the population was created according to the Action Plan for implementation of Microfinance Development Strategy for 2011-2015. For reducing relending and extending parallel credits in the financial sector, the Draft Law “On Exchange of Credit Information” was developed with technical support of the International Finance Corporation (IFC) as one of the measures taken to decrease interest rates.

3.3. Supervision and Regulation Methodology

In the reporting period work on improvement of the regulatory legal base regulating activity of financial-credit institutions was carried out. Thus, special significance was attached to the issues on increasing efficiency of supervising function of the National Bank, protection of the rights of consumers of financial services, and also bringing regulatory legal acts in compliance with the international standards and amendments in the banking legislation of the country.

Main directions of improvement of regulatory legal base

In view of acceptance of amendments and addenda in the legislation regulating activity of nonbank financial-credit institutions, the National Bank approved a number

Regulation of NFCI

of regulatory legal acts; moreover amendments and addenda were made to some regulatory legal acts regulating activity of microfinance organizations, credit unions and exchange bureaus. It allowed expanding the scope of activity of the microfinance organizations and credit unions, which were also provided with the right to conduct operations upon Islamic principles of banking and finance, carry out agency banking and a number of operations with foreign currency.

The Regulations “On Minimum Requirements to Credit Risk Management for Microfinance Organizations Not Attracting Deposits” was approved for protection of the rights of consumers of financial services, increasing transparency of activity of the microfinance organizations, which do not attract deposits, and also prevention of relending to borrowers.

The corresponding instruction was approved in the reporting period to regulate the procedure of inspecting activity of the microfinance organizations, which do not attract deposits.

Amendments and addenda were introduced into some regulatory legal acts of the National Bank in view of requirements to arrangement of internal control in microfinance companies on the issues related to CTF/AML and for strengthening current requirements to microfinance organizations and credit unions.

A number of requirements were introduced for exchange bureaus, namely, the minimum size of current assets was increased in case of opening exchange bureaus, the number of additional bureaus to be opened is restricted. Thus, only legal entities were provided with the right for carrying out exchange operations.

For improvement of supervising functions, the periodic regulatory bank report was added with a new section, according to which the National Bank will receive information on each credit of a borrower from banks. This information will allow increasing quality of credit risk assessment in banking system and in separate commercial bank, and also revealing relending of borrowers of commercial banks. Addenda were made to methodical instructions on filling in the periodic regulatory bank report for clarifying the procedure of filling in a new section.

Licensing of banking activity

The National Bank approved amendments and addenda to the Regulations “On Licensing of Banking Activity” regarding specification of coordinating procedure for banks’ shares acquisition, the minimum requirements to officials of banks, monetary funds received by the Kyrgyz Republic from foreign banks for formation or increasing the authorized capital of resident banks. Moreover, introduced amendments related to considering of petitions of microfinance companies and microcredit agencies about issue of bank licenses.

Amendments and addenda were introduced into some regulatory legal acts regarding issues on bank risks decrease, as well as issues connected with lending activity, including the sphere of group based lending, increasing transparency of activity of banks and nonbank financial-credit institutions, operations of banks with insiders-employees, operating procedure of banks with real estate and granting for rent bank safes.

Requirements to external audit

Amendments and addenda were introduced into the Regulations “On Minimum Requirements to External Audit of Banks and Other Financial-Credit Institutions Licensed by the National Bank of the Kyrgyz Republic” to improve the supervision of banks and microfinance companies attracting deposits, and decrease bank risks. Amendments and addenda related to the requirements to the term of external auditor rotation, to the contract on carrying out external audit, and the requirements to carrying out unscheduled audit.

Antimonopoly regulation

For improvement of antimonopoly regulation, amendments and addenda were introduced to policy and the basic principles of antimonopoly regulation, development of competition and protection of consumers’ rights in the market of banking services of the Kyrgyz Republic, which expanded the mechanism of antimonopoly regulation

allowing the National Bank to use the methods combining a mode of licensing, carrying out external supervision and inspection on places. The Regulations “On Minimum Requirements to Pricing Policy of Banking Services and Services Rendered by Microfinance Organizations” was approved; it contained minimum requirements to pricing policy on banking services and disclosure of components forming interest rates on credits and deposits.

During the reporting period, within improvement of regulatory legal acts of the NBKR relating with enforcement measures to commercial banks and the nonbank financial-credit institutions licensed and regulated by the National Bank, also bringing regulatory base into accordance with the Code of Administrative Responsibility, amendments and addenda were introduced into some regulatory legal acts.

*Enforcement
measures*

A number of regulatory legal acts were developed and adopted for implementation of the Laws “On Introducing Addenda to the Law of the Kyrgyz Republic “On the National Bank of the Kyrgyz Republic” and “On Addenda to the Law of the Kyrgyz Republic “On Banks and Banking Activity in the Kyrgyz Republic” adopted to provide equal conditions for all players of banking sector and to create conditions for promotion of Islamic banking in the Kyrgyz Republic and for bringing in compliance with approved addenda to the Law of the Kyrgyz Republic “On Microfinance Organizations of the Kyrgyz Republic”, “On Credit Unions” entitling microfinance organizations and credit unions to carry out operations upon Islamic principles of banking and finance. The approved documents inter alia related to issues of mitigating credit risks in providing financing upon Islamic principles of banking and finance.

*Islamic principles
of finance*

CHAPTER 4. PAYMENT SYSTEM

Within the framework of providing safety and reliability of payment system of the republic, the National Bank carried out staged operation on reorganization of settlement system and creation of new payment system adjusted to the requirements of market economy during the period of 20 years since the moment of the national currency introduction.

Thus, the structure of payment system became centralized, in the course of an exchange of financial messages paper payment documents used in the banking system of the Kyrgyz Republic were replaced by electronic ones with the digital signature, terms of payments decreased. Safe hi-tech communication channels, international systems of money transfers and system of settlements by means of payment cards were used. The regulatory legal framework of payment system was improved, two specialized laws were adopted. Reforms resulted in introduction of up-to-date payment systems (real time gross settlement system, bulk clearing system of small and retail payments, the national card payment system Elcard), satisfying the international standards and having high capacities for fast processing of a large number of payments. The Multiple Access Center of SWIFT arranged in the National Bank enabled commercial banks to carry out cross-border payments and to exchange international financial messages with minimum financial expenses in case of connection and provision of safe communication channels support.

In 2013, to strengthen measures on increasing transparency and controllability of cash flows in the economy, decreasing shadow cash turnover and protection of consumers' rights against fraud in operation with electronic payment system, the National Bank carried out work on promotion of specialized draft Law of the Kyrgyz Republic "On Payment System of the Kyrgyz Republic". This draft Law provides for legal and organizational basic principles for payment system of the Kyrgyz Republic, including regulation of innovation technologies.

Active and systematic work on further implementation of the State Program to Increase the Share of Non-Cash Payments and Settlements in the Kyrgyz Republic for 2012-2017 (further – the State Program) was pursued in joint cooperation with the ministries and departments of the Kyrgyz Republic, local governments and the municipal enterprises, CJSC "Interbank Processing Center" and commercial banks of the republic. In 2013, regions of the republic supported by regional departments of the National Bank, local governments, commercial banks of the republic were involved in implementation of the State Program. Control over implementation of the Action Plan of the State Program was carried out within the framework of the Interagency Commission for increasing the share of non-cash payments and settlements in the Kyrgyz Republic, proposals on increasing the share of non-cash payments and settlements were considered, arising problems in the course of this activity were discussed.

Results of carries out works had a significant effect on increase in the share of non-cash payments and settlements in the Kyrgyz Republic, development of the national payment system and affordability of payment services for the population of the Kyrgyz Republic.

Simultaneously the National Bank carried out monitoring of currency structure in circulation and satisfied demand of economy in banknotes and coins with necessary denomination in the national currency.

4.1. Payment System Development

4.1.1. Non-cash Settlements

The payment system of the Kyrgyz Republic comprises the Real Time Gross Settlement System (RTGS), Bulk Clearing System (BCS), the card payment systems, the remittance systems and the cross-border payments systems. Participants of these payment systems in the Kyrgyz Republic included the National Bank of the Kyrgyz Republic, commercial banks and their branches, the Central Treasury of the Ministry of Finance of the Kyrgyz Republic, the Interstate Bank and CJSC “Interbank Processing Center” on special participant rights.

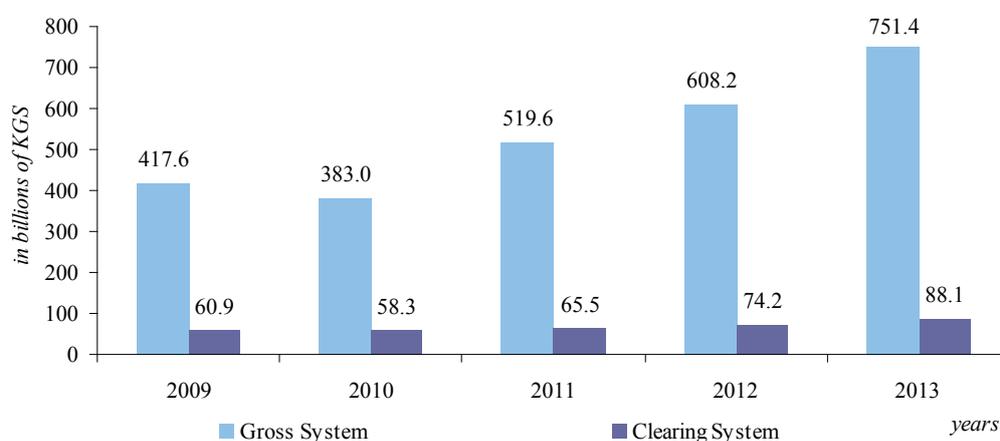
In 2013, operation of the payment system of the republic was characterized by stability and positive dynamics was observed in its development.

During the reporting year, 2.8 million of payments were made through the interbank payment systems to the total amount of KGS 839.5 billion, these indicators increased by 18.4 and 23.0 percent respectively as compared to 2012.

Payment system

Chart 4.1.1.1.

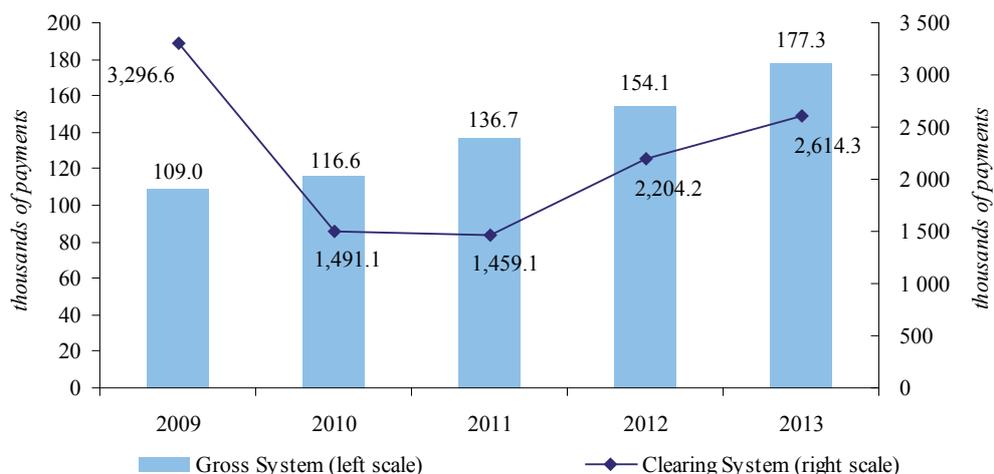
Value of Payments (RTGS and BCS)



In the reporting period, the number of payments through RTGS and BCS increased by 15.1 and 18.6 percent respectively as compared to the indicators of 2012. In 2013, the value of payments through RTGS and BCS increased by 23.5 and 18.7 percent respectively as compared to the indicators of 2012. Growth resulted from increase in the number and value of incoming and outgoing budget payments, payments from the state budget, the Social Fund of the Kyrgyz Republic and payments of non-budget organizations.

Chart 4.1.1.2.

Number of Payments (RTGS and BCS)

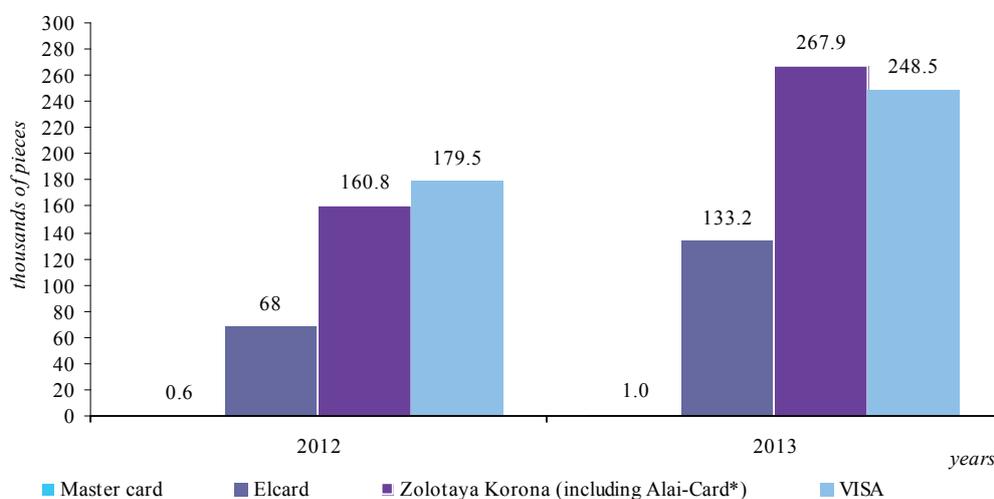


Bank payment cards

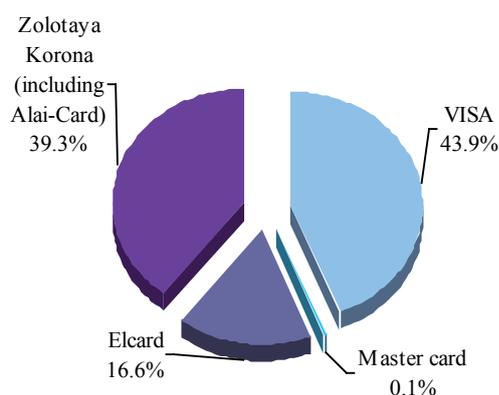
The total number of issued payment cards was 650.6 thousand, having thus increased by 59.1 percent, thereof the number of cards of the national card payment system Elcard was 133.2 thousand. Significant growth in the number of issued bank cards was primarily conditioned by increased number of bank cards issued within the salary projects.

Chart 4.1.1.3.

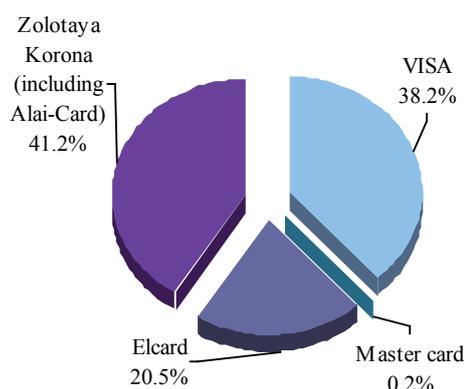
Dynamics of the Number of Bank Payment Cards (end of period)



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

Chart 4.1.1.4.Bank Payment Cards Ratio
(end of 2012)

(end of 2013)



In 2013, 11.1 million transactions were made with the use of payment cards, which is by 54.1 percent more than in 2012.

In 2013, the total volume of operations with the use of payment cards amounted to KGS 51.9 billion, having increased by 47.0 percent compared to the same indicator for 2012: which is indicative of increased activity of commercial banks in the payment cards market within the framework of the State Program.

The value of card transactions at merchants with use of cards increased by 46.7 percent, from KGS 1.5 billion in 2012 to KGS 2.2 billion in 2013.

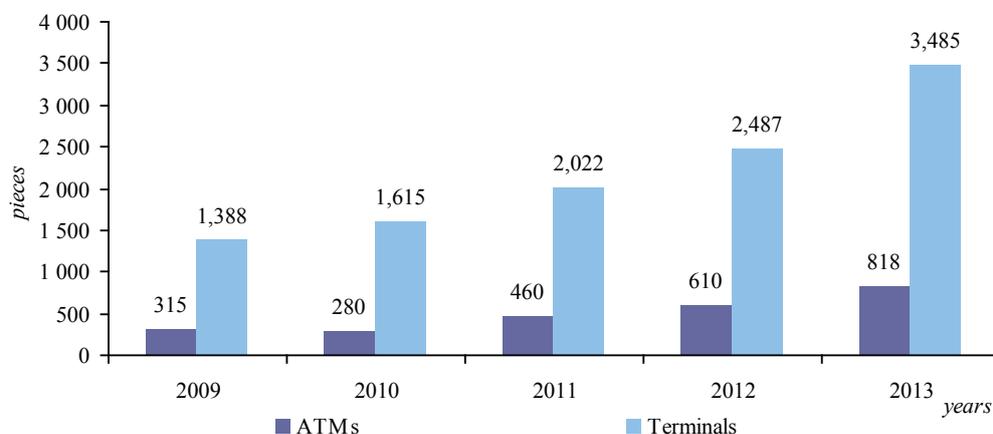
The total number of terminals and ATMs broken down by systems comprised the following at the end of the reporting period:

- International systems “Visa&MasterCard” – 202 ATMs and 1 731 terminals;
- The national system “Elcard” – 333 ATMs and 1,233 terminals. The cards of the national payment system “Elcard” are also serviced in 154 ATMs and 662 terminals of the international payment systems;
- International system “Zolotaya Korona” – 283 ATMs and 521 terminals.

Thus, as of the end of 2013, the bank payment cards were accepted for servicing by 818 ATMs and 3,485¹ terminals (there of: 2,449 terminals are installed in trade and service centers and 1,036 are installed in the branches and savings banks of the commercial banks) in the whole territory of the Kyrgyz Republic.

Chart 4.1.1.5.

Dynamics in the Number of ATMs and Terminals (end of period)



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

*Card transactions**Infrastructure to accept and service payment cards*

4.1.2. Oversight of the Payment System

According to the international practice, oversight of the payment system of the Kyrgyz Republic comprises a complex of measures: monitoring, evaluation of and taking measures for improving the payment system of the Kyrgyz Republic. Payment systems, significant and of high priority for the financial system as they can become potential promoter of system risk, were defined within the framework of oversight. Such systems were the Real Time Gross Settlement System and the Bulk Clearing System (systematically important payment systems).

Functioning of systematically important payment systems

Findings of monitoring carried out during 2013 indicated that the systematically important systems operated in normal mode, the level of the system accessibility remained high at the level of 99.3 percent. The level of financial risks in the system was minimum (liquidity coefficient was 3.8, and the turnover rate – 0.3) due to sustained high level of liquidity against turnover in the system. Since the moment of implementing the systematically important payment systems, the indicator of their accessibility remained high at the level of 99.6 percent.

Moreover, retail payment systems operate in the market, which process a large number of transaction and failures in their operation can have negative effect on the population confidence in the national currency. These systems include payment cards settlement systems (important payment systems) and remittance systems (non-systematically important payment systems). During the reporting period the operation of these systems was generally stable. The level of accessibility of the national card payment system “Elcard” made approximately 98.2 percent.

142 fraudulent transactions with the using of 117 payment cards were detected during the oversight; the majority of these transactions were accounted for the transactions with the using of international payment cards. Internal investigations were carried out on these transactions in the concerned banks. These fraudulent transactions resulted from the failure of cardholders to comply with safety rules in using the payment cards and unauthorized use of obtained data about the cards and their holders via the internet.

Compliance of payment system with international standards

Following the international standards, the National Bank carries out annual assessment of functioning systematically important payment systems and the national card payment system “Elcard” for compliance with the Core Principles for systematically important payment systems (hereinafter referred to as the Core Principles). Findings of the assessment show that the systemically important payment systems and the national system “Elcard” broadly observed the Core Principles.

The objectives of the central bank on application of the Core Principles for systematically important systems were also fulfilled: the objectives of the payment system were clearly determined and their role and major policy were publicly revealed, oversight of the payment system of the Kyrgyz Republic is carried out, cooperation is still fulfilled with other central banks in this direction.

4.1.3. Activities to Increase the Share of Non-cash Payments

Within the framework of fulfillment of the Action Plan on implementation of the State Program (here in after referred to as the Action Plan) and within operation of the Interagency Commission on increasing the share of non-cash payments and settlements, the National Bank, ministries and agencies, local self-government bodies and utility enterprises carried out works on transition to the salary projects and provision of non-cash payments received to the budget. Commercial banks carried out active operations for developing the retail payments market and expanding the infrastructure of non-cash payments.

Seminars were conducted in the regions for budget-funded enterprises, in the cities of Talas, Batken, Osh, Jalal-Abad and Karakol to raise financial literacy of consumers

of the retail payment services and to clarify the purposes and objectives of the State Program.

“Pensioner card” was introduced to provide an opportunity to receive pension payments onto the bank payment cards at reduced charge, as well as the project “Payment of state benefits and money compensations onto individual accounts of recipients in the banks”. As of January 1, 2014, 13.4 thousand people joined non-cash payment of state benefits, money compensations through accounts in banking institutions, 173.5 thousand people will receive pension through banks via “Pensioner card”.

Within the framework of the State Program, “Card of Budget Funds Recipient” was successfully launched; it is regarded as the current alternative for check books and replacement of manual processing for automated accounting of expenses of budget-funded organizations – recipients of budget funds.

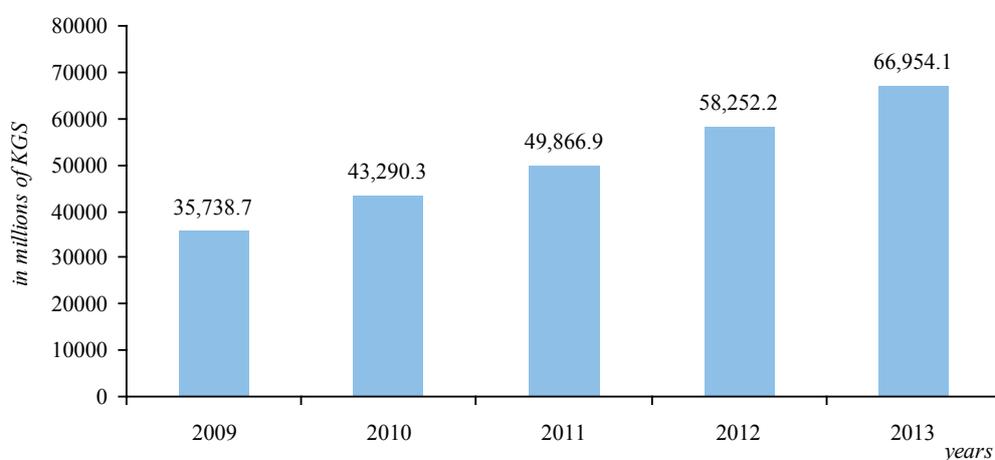
The project on installation of mobile pos-terminals on the patrol cars of Traffic police of the Ministry of Internal Affairs of the Kyrgyz Republic was introduced for payment of penalties via bank payment cards for violations of the traffic rules.

4.2. Cash Turnover

Within execution of one of the main objectives on arrangement of cash turnover, in reporting year, the National Bank continued work on timely satisfying the demand of economy in the republic in cash. In 2013, total amount of money in circulation increased by 14.9 percent and made KGS 66.9 billion primarily due to economic growth.

Chart 4.2.1.

Development in Currency in Circulation (end of period)



Receipt of cash in the cash departments of commercial banks amounted to KGS 804.2 billion in 2013, having increased by 29.2 percent compared to 2012. Issue of cash from the cash departments of commercial banks increased by 27.5 percent and amounted to KGS 820.1 billion. Collectability of cash in the cash departments of commercial banks constituted 98.1 percent in 2013, having thus increased by 1.3 percent compared to 2012 (in 2012 – 96.8 percent).

Receipt and issue of cash from cash departments of commercial banks

Table 4.2.1.

Cash Flow via Cash Departments of Commercial Banks

	Receipt, <i>in millions of KGS</i>		Issue, <i>in millions of KGS</i>		Collectibility, <i>in percent</i>	
	2012	2013	2012	2013	2012	2013
	Total	622 342,7	804 192,4	642 979,1	820 074,0	96,8
Bishkek	329 264,3	431 565,6	323 725,4	419 985,4	101,7	102,8
Batken Oblast	22 797,4	31 994,0	24 747,5	33 554,2	92,1	95,4
Jalal-Abad Oblast	60 981,7	77 915,3	70 093,1	89 249,7	87,0	87,3
Issyk-Kul Oblast	26 204,2	33 323,1	30 709,9	37 490,4	85,3	88,9
Naryn Oblast	8 678,1	12 850,7	12 056,0	16 604,9	72,0	77,4
Osh	94 136,7	116 460,5	94 059,3	115 993,6	100,1	100,4
Osh Oblast	27 992,9	36 065,3	31 751,2	37 733,0	88,2	95,6
Talas Oblast	8 516,4	13 681,7	12 294,0	19 197,6	69,3	71,3
Chui Oblast	43 771,0	50 336,2	43 542,7	50 265,2	100,5	100,1

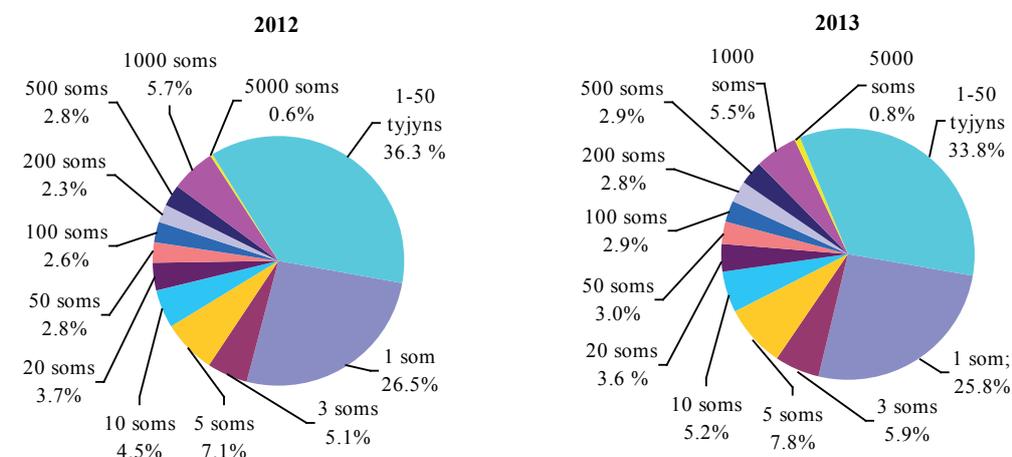
Work on issue of new banknotes and coins and withdrawal of worn-out banknotes and disposal thereof was carried out.

The denomination structure of banknotes and coins in circulation is presented in Chart and Table 4.2.2.

Chart 4.2.2.

Percentage Ratio of Banknotes and Coins in Circulation

(in percent of total of money in circulation/sheets)

**Table 4.2.2.**

Denomination of Money in Circulation (end of period)

(in percent of total money in circulation)

Demonination	below 5 soms	10 soms	20 soms	50 soms	100 soms	200 soms	500 soms	1 000 soms	5 000 soms	Total
2012	0,8	0,4	0,7	1,2	2,3	4,1	12,5	50,0	28,0	100,0
2013	0,8	0,5	0,6	1,2	2,4	4,7	12,1	46,1	31,6	100,0

In 2013, the total number of identified counterfeit banknotes in the national currency amounted to 106 pieces (in 2012 – 94 pieces), to the total value of KGS 73,580 (0.0001 percent of the total money in circulation as of January 1, 2014). On each fact of

counterfeiting criminal case is initiated and special investigation activities are held by law enforcement agencies.

National bank issues the commemorative coins devoted to historical events of the republic, architectural monuments and natural objects. Since 1995 to 2013 three types of gold coins were issued, as well as 33 names of silver coins, eight copper-nickel and one cupronickel coin, thereof three silver coins received various awards.

Collection coins

In 2013, the coin “Great Silk Road” of the series “Kyrgyzstan on the Great Silk Way” was awarded with the first price in the nomination “Best historically significant coin” in the most significant international contest among commemorative coins held by the publishing house “Krause Publications” (USA).



In 2013, silver coin “Goitred gazelle” of the series “Red book of Kyrgyzstan”, silver and copper-nickel coins “Saimaluu-Tash” of the series “Historical and architectural monuments of Kyrgyzstan” and silver coin “Great Kyrgyz kaganat” of the series “Age of the Kyrgyz kaganat” were issued for circulation.

CHAPTER 5. FOREIGN ECONOMIC RELATIONS

In 2013, the National Bank continued development of cooperation with the international organizations, integration unions and foreign central banks. Celebration of anniversary of introduction of the national currency of the Kyrgyz Republic contributed to strengthening of this cooperation and establishment of the new directions of interaction.

Studying and practical use of world experience in consideration of issues of monetary policy and functioning of bank and payment systems, receiving technical assistance and strengthening of professional contacts became the main results of work in the reporting year. For last twenty years, the NBKR significantly expanded international relations and raised cooperation level.

5.1. Cooperation with International Organizations

The high level international conference “The Transition Journey and the Road Ahead” in Bishkek held in May, 2013 became a significant event in the sphere of the international cooperation. Conference was organized by the National Bank together with the International Monetary Fund (IMF), the State Secretariat for Economic Affairs (SECO), and the European Bank for Reconstruction and Development (EBRD). During work of conference lessons and experience of last two decades of a transition period, and also the main calls and priorities on prospect were considered. Much attention was paid to measures of macroeconomic policy and the structural reforms necessary for ensuring high rates of steady, diversified and inclusive growth in the region.

Considerable achievements of the countries of Central Asia and the Caucasus within the last twenty years were emphasized at the conference, including high rates of the economic growth, essential reduction of inflation rate, establishment of necessary institutions for development and coordination of economic policy. At the same time the attention was focused on existence of such serious problems, as dependence on natural resources and money transfers, fluctuations in inflation rate, high extent of dollarization, essential needs for development of the social sphere and infrastructure, and also insufficient level of transparency and the accountability of economic subjects.

During the conference the administration of the National Bank had an opportunity to discuss the current tendencies and further ways of development of financial sector of the Kyrgyz Republic with representatives of foreign government bodies and the international organizations. This conference was highly appreciated by its participants.

Cooperation with the International Monetary Fund proceeded within the framework of implementation of the economic program for 2011-2014, supported by the Extended Credit Facility (ECF). This program is aimed at providing sustainable economic development of the country in the medium-term period. Two Review Missions of the IMF visited the country for assessment of the progress of program implementation the Kyrgyz Republic in 2013. Following the results of reviews by the IMF’s Executive Board approved granting to the country of the next tranches of funding totaling 19.0 million SDR, which were directed for support of the state budget. In March, at the request of the NBKR, the IMF’s Mission visited the Kyrgyz Republic for technical assistance concerning improvement of monetary policy basic principles, and in July the representatives of the IMF visited the republic for the purpose of discussion of the current economic situation in the country.

Work on the Financial Sector Assessment Program (FSAP) was carried out in 2013. This Program represents a joint initiative of the IMF and the World Bank with the purpose to give to member states an independent complex assessment of their financial

*Cooperation within
the framework
of programs on
country
development*

systems. FSAP is meant for warning official bodies of the countries about probable weak spots in their financial sectors caused by internal factors or the external reasons, and assists in development of measures for reducing this vulnerability. More than 140 countries, three quarters of all the IMF's member states, took part in this Program.

Annual Meetings of Governors of the IMF and the World Bank were held in Washington in October, 2013, the Chairman of the National Bank, being a participant of governmental delegation, took part in these meetings as the Governor of the IMF from the Kyrgyz Republic. Issues of the economic situation in the Kyrgyz Republic, a situation in the banking sector and the directions of further cooperation were discussed during the meetings with representatives of the IMF, the World Bank, other international financial donor institutions and foreign central banks.

The consultants of the OGRsearch Company in cooperation with the specialists of the National Bank continued work on creation of Forecasting and Policy Analysis System (FPAS) under the auspices of the IMF and European Bank for Reconstruction and Development. Transition to FPAS will allow developing the complex and systematized approach to decision-making in a monetary policy. Within this work, the representatives of the National Bank of Georgia and the National Bank of Moldova visited the NBKR for exchange of experience on introduction and use of this system.

In 2013, the expert of the State Secretariat for Economic Affairs visited the National Bank; during this visit issues of applying tools of financial programming were considered.

In January-February, 2013 measures for increasing efficiency of international reserves management were discussed with the consultant of the IMF.

The NBKR administration participated in 29th and 30th meetings of the Central Bank Governors' Club of the Central Asia, Black Sea Region and Balkan Countries held in the Czech Republic and Armenia in February and September, 2013. The current economic situation and questions of financial stability, the lessons learned from last crisis were discussed during the meetings.

In August, 2013 the administration of the National Bank participated in dialogue of the Economic and Social Commission for Asia and Pacific (ESCAP) on high level policy issues devoted to "Macroeconomic Policy for Steady and Reliable Growth in Northern and Central Asia". This event was meant for providing the platform for discussion of problems of growth, stability, diversification and employment, and also opportunities of use of macroeconomic policy tools for contributing to economic development of the country to various interested parties from the whole region.

In the reporting period, work on strengthening supervisory capacity of the National Bank was continued with technical assistance of the IMF and a number of the normative documents regulating activity of commercial banks were developed.

In 2013, cooperation of the NBKR with the World Bank continued within the project of development of financial sector on increasing its stability and expansion of access to financial services. The National Bank concluded the triplicate Memorandum with the World Bank and SECO on use of grant funds for improvement of supervision over financial sector of the country.

In September, 2013, the delegation of the International Finance Corporation (IFC) headed by director of sector of the financial market for Europe, Central Asia, the Middle East and North Africa visited the country. During this meeting questions of transformation of microfinance institutions in commercial banks, the draft of the Bank Code of the Kyrgyz Republic and other questions were discussed. Also collaboration in promotion of the Draft Law "On Exchange of Credit Information", approved by Jogorku Kenesh of the Kyrgyz Republic, was carried out.

In autumn, under the auspices of the IFC the representatives of the National Bank visited the Bank of Italy for the purpose of studying activity of the state credit register on supervision of financial sector and private credit bureau.

Cooperation on issues of banking supervision

The administration of the NBKR, as part of Governmental delegation, participated in intergovernmental negotiations on questions of financial and technical cooperation held in Bonn, Germany, in March, 2013.

In the reporting period, the representatives of the National Bank participated in the 28th meeting of Council of Heads of the Central (National) Banks of EurAsEC member states. According to the Program of Activity of Council for 2013-2014, the National Bank acted as the executive on the issue “On Results of Work and Prospects of Development of the Banking Sector of EurAsEC member states”.

In November, within cooperation between the Government of the Kyrgyz Republic and the Government of the Federative Republic of Germany mission of the German International Center (GIZ) visited the republic for review of the current state of regulation and supervision of nonbank financial-credit institutions.

Development of the Bank code with assistance of the international consultant for legal questions proceeded. The Code is meant to establish the accurate rights, duties and responsibility of all participants of bank legal relationships in their interaction with each other and external subjects, and also to increase efficiency of bank supervision, as well as on the consolidated basis. Provisions of the Code are also focused on protection of the rights of consumers of banking products, services and legitimate interests of clients, which will increase confidence of the population, internal and external investors in the banking system, and also investment attractiveness of the country.

During the reporting year, within membership in the Shanghai Cooperation Organization (SCO) experts of the NBKR considered issues of establishment of SCO Development Bank and Development Fund (Special Account).

In the reporting period, the experts of the World Bank carried out preliminary study of questions of protection of consumers' rights.

Under the auspices of the United Nations Development Program (UNDP) recommendations about raising financial literacy of the population of the Kyrgyz Republic were prepared.

In 2013, representatives of the National Bank within membership in Alliance for Financial Inclusion (AFI) participated in the Global Political Forum of AFI for acquaintance with the world practice of bank activity. Main objective of the Forum was exchange of experience of participating countries of this organization in implementation of policy on poverty reduction, protection of consumers' rights and increase of financial availability, and also measurement of financial availability.

During the 29th meeting of the Council of Heads of Central (National) Banks of EurAsEC member states, the National Bank presented the report of Coordination council concerning production of banknotes, development of the numismatic market, release of commemorative and collection coins, fight against counterfeiting and materials “On Exchange of Information and Experience on Systems of Regular Retail Payments and Large Payments in EurAsEC member states. Work within cooperation of EurAsEC allowed improving regulatory and legal framework of bank activity of the member states, and also to adjust effective process of information and analytical data exchange.

At the regular meetings of Council of Interstate Bank (IB), in which the NBKR administration participated, topical issues of further activity of IB, a question of implementation of interstate settlements in the national currencies, financial position of IB and measures for its stabilization were considered.

For ensuring availability of banking services in the regions of the republic, the National Bank entered into agreements with the European Bank for Reconstruction and Development upon implementation of the project on introduction and realization of mobile banking and mobile payments.

In the reporting year, relationships in the field of personnel training were maintained with such international financial organizations, as the Islamic Development Bank, the IMF, the Joint Vienna Institute, the Korean Bank Institute, SWIFT “Alliance of Factors

Cooperation on issues of raising financial literacy

Consulting”, and also with the central (national) banks of EurAsEC member states within the Program of professional training of experts. In trainings organized by these institutions, the employees of the NBKR were trained in introduction of the Islamic principles of finance and banking, effective post-crisis management, macroeconomic and to other questions.

5.2. Cooperation with Central Banks

Cooperation of the National Bank with the central banks was conducted, both on multilateral, and on a bilateral basis, according to agreements and memorandums.

Following the results of cooperation of the NBKR with the central (national) banks of the CIS and non-CIS countries, projects of technical assistance were implemented and exchange of experience between the staff of the central (national) banks was carried out in 2013.

In 2013, the delegation of the National Bank made working visit to the Central Bank of the Republic of Azerbaijan for the purpose of studying practice of automation of statistical reporting, development and introduction of the automated system on collecting and processing of statistical information, on the example of ESAS system – “Electronic Statistical Database and Analytical Statements System”.

In 2013, the National Bank continued on cooperation with the Deutsche BundesBank and with support of GIZ a number of the projects, which are important for professional development of experts of the NBKR engaged in carrying out a monetary policy, were implemented. Besides, Deutsche BundesBank carried out an external assessment of quality of activity carried out by the Internal Audit Service of the National Bank following the results of which it was confirmed that the quality of its activity complied with the international standards of internal audit, and also recommendations about its improvement were made.

In the course of interaction, the National Bank and the National Bank of Poland exchanged experience on issues of international reserves management and financial risks, payment systems and clearing settlements, financial stability, educational projects and monetary policy took place.

Within the framework of cooperation with the Bank of Russia experts of the NBKR supervising block passed the certified training in the Financial University under the Government of the Russian Federation on the supplementary professional education program “Curator of Commercial Banks –Bank Manager”, “Inspector of Commercial Banks – Bank Manager”.

Besides, the specialists of the Bank of Russia and the National Bank of the Kyrgyz Republic exchanged with experience in interaction with mass media, the organizations of external and public relations.

In December, 2013, the delegation of representatives of the Central Bank of the Republic Turkey, Agency of Bank Regulation and Supervision of the Republic Turkey, Representation on Economy of the Embassy of the Republic Turkey in the Kyrgyz Republic, Permanent Mission of the Turkish Cooperation and Coordination Agency visited Bishkek. During this visit issues of further cooperation between the National Bank and the Central Bank of the Republic Turkey were discussed, the agreement on exchange of experience and receiving the advisory help was reached.

In 2013, cooperation of the National Bank with the Swiss National Bank (SNB) developed and became stronger. The administration of the NBKR participated in the Round-table meeting “Issues of a Transition Period for the Central Banks”, which was organized in cooperation with the Bank of International Settlements and the SNB in Basel, Switzerland. Topical issues of banking activity and the role of independence of the central bank were considered during this meeting.

In November, 2013, the head of the National Bank arrived with official visit to the

Cooperation with the Central Bank of the Republic of Azerbaijan

Cooperation with Deutsche BundesBank

Cooperation with the National Bank of Poland

Cooperation with the Bank of Russia

Cooperation with the Central Bank of the Republic of Turkey

Cooperation with the Swiss National Bank

Swiss National Bank for the purpose of discussing the issues of further cooperation. A number of agreements on providing technical assistance on the most important activities of the NBKR was achieved during the meeting of heads of the central banks.

Moreover, in 2013, regular consultations on creation of macroeconomic model of the Kyrgyz Republic, investment portfolio management, improvement of business processes and other aspects of bank activity were held with the experts of the SNB. The National Bank was granted with special cars for improvement of safety in cash transportation.

*Cooperation with
other central banks*

The NBKR continued cooperation with the central (national) banks of Armenia, Italy, Korea, Malaysia, France within the program of training its employees.

Thus, according to the Program of professional training of specialists of the central (national) banks of EurAsEC member states the staff of the Central Bank of Armenia passed training in the National Bank on legal support of bank supervision and licensing, the staff of National Bank of Republic of Belarus – on risks control system. The international seminar “Monetary Policy Tools” was held with participation of the representatives of the central banks of CIS and non-CIS countries.

CHAPTER 6. GENERAL DATA ON ACTIVITY OF THE NATIONAL BANK OF THE KYRGYZ REPUBLIC

6.1. Structure of the National Bank of the Kyrgyz Republic

As of the end of 2013 the NBKR's organizational structure comprised 21 central staff units, five regional departments and a Representative Office in the Batken Oblast.

Reorganization and merge of several units were carried out for providing an integrated approach in making administrative decisions, improvement of activity of structural divisions, elimination of partial duplication of functions, and also improvement of internal control system.

The research group of the Economic Department was transformed to the Center of Economic Research for carrying out applied researches on economic issues, and coordination of work with domestic and foreign research economic institutes.

The group of the translation was transformed to Division of State Language Introduction in pursuance of the Law "On the State Language of the Kyrgyz Republic".

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

<i>Economic Department</i>	develops proposals on monetary policy and its implementation; conducts macroeconomic analysis; organizes scientific and research activities of the NBKR.
<i>Monetary Operations Department</i>	Implements monetary policy; conducts operations in the financial market, performs their assessment and analysis; identifies trends and factors of changes in the financial markets for effective coordination of the open market operations.
<i>Financial Statistics and Review Department</i>	collects monetary statistics and financial market performance indicators; compiles the balance of payments, and provides expert support on the external debt issues; analyzes and evaluates the state of financial stability in the Kyrgyz Republic.
<i>External Supervision Department</i>	exercises external supervision over the activities of banks and nonbank financial-credit institutions to secure protection of interests of depositors and other creditors and to ensure fair competition.
<i>Supervision Methodology and Licensing Department</i>	creates methodological framework for supervision and control of banks and nonbank financial-credit institutions and performs procedures for licensing their activities.
<i>Inspection Department</i>	inspects the activity of banks and nonbank financial-credit institutions on sites for compliance of their activity with the current legislation.
<i>Department of Management and Budget</i>	conducts planning, budgeting and financial control, provision structural divisions with personnel, develops proposals on improvement of the NBKR organizational structure.

<i>Cash Management Department</i>	satisfies the needs of economy in the Kyrgyz Republic for notes and coins, provides for maintaining their sufficient reserves, storage and transportation of bank notes, coins and valuables, implements measures on disposal of worn-out bank notes and coins.
<i>Banking Settlements Department</i>	provides for the functioning of interbank settlement systems; performs settlements on operations and transactions in the financial markets.
<i>Department of Banking Automation</i>	provides timely reliable and safe solutions in the sphere of information technologies and optimization of information flows.
<i>Payment Systems Department</i>	develops methodological procedures, carries out regulation, control and supervision (oversight) to ensure effective operation of the payment system, its reliability and safety, and promotes development of payment system.
<i>Accounting and Reporting Department</i>	keeps records of operations and prepares financial statements; develops the regulatory acts governing the accounting in the Bank; exercises internal control of operational activity.
<i>Legal Department</i>	provides comprehensive legal support of the activity of the NBKR; develops and promotes banking legislation.
<i>Documentation Management and Communications Department</i>	arranges centralized document flow and control over fulfillment, provides arrangement and carrying out protocol events, development of public relations.
<i>Internal Audit Service</i>	ensures independent evaluation of adequacy and efficiency of internal control system exercised in the National Bank, and cooperates with external auditor.
<i>Risk Control Division</i>	manages financial risks in conducting the NBKR transactions at the external markets; develops proposals on the risk management strategy and policy in the Bank; coordinates the work of units on the risk management issues.
<i>Project Implementation Division</i>	supports implementation of projects of international financial organizations and donor countries implemented by the NBKR or with its participation; organizes a centralized procurement system at the NBKR.
<i>Board Secretariat</i>	provides for organizational support of the work of the NBKR Board and follows –up execution of the Board’s rulings.
<i>Security and Information Protection Department</i>	provides for safe functioning of the National Bank and its information resources.

Administration and Logistics Department

provides execution of construction and repair works on the objects of the National Bank, their maintenance in compliance with the rules and standards of safety and labor health.

Press-Service

informs the public by means of mass media of the activities carried out and the policy pursued by the National Bank.

Regional Departments and Representative Offices of the NBKR

provides the branches of commercial banks with cash; performs supervisory activities for compliance with the banking legislation by financial-credit institutions, licensed and regulated by the National Bank; implements measures for improvement of the payment system.

To maintain the transparent, equal and fair approach, the system of competitive selection of staff is used when employing new staff. This allows ensuring the selection of the most qualified specialists in view of their professional training. Announcements of competitions for vacancies are published on the web-site of the NBKR and in mass media.

Competitive selection

In 2013, 103 competitions were held, including 14 competitions held in the regional departments. 59 people were hired following the results of the competitions.

As of the end of the reporting year, the authorized staff size of the NBKR totaled to 595 people, including 517 people employed as the central staff and 78 people working at the regional departments and at the Batken Representative Office.

NBKR staff size

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

Chart 6.1.1.

Personnel Structure by Record of Work

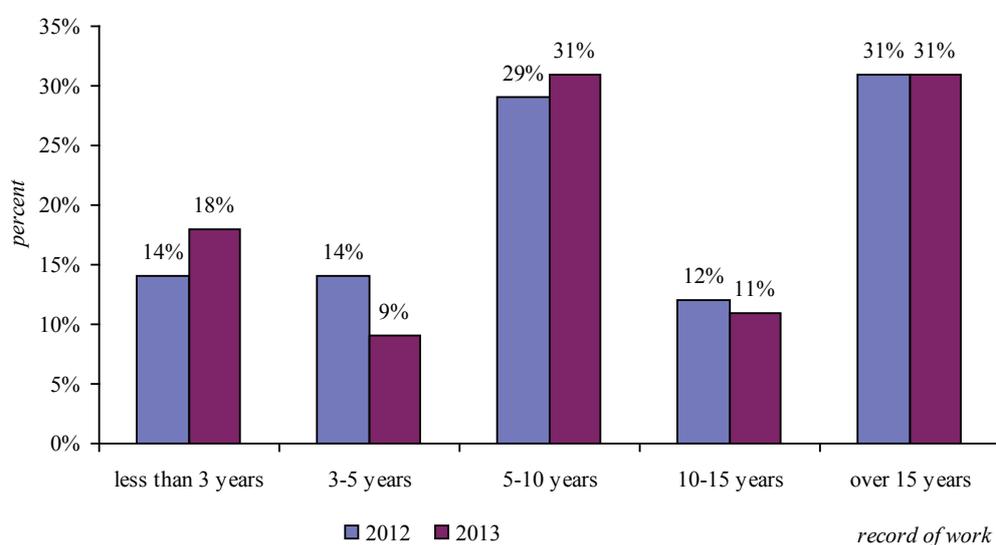
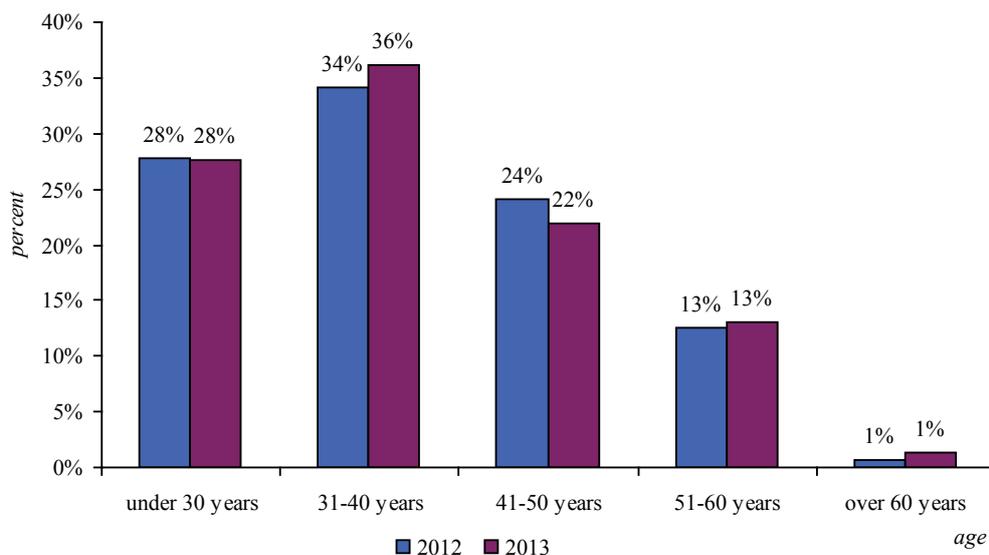


Chart 6.1.2.

Personnel Structure by Age



The committees and commissions operate at the National Bank on the ongoing basis in order to improve corporate management and improve the procedure of managerial decision-making. The order and the procedures of their work are regulated by relevant regulations.

Goals and objectives of main committees and commissions of the National Bank of the Kyrgyz Republic

Monetary Policy Committee

develops and adopts immediate decisions on current liquidity management.

Key tasks include assessment and selection of the line of operations in the open market, analysis of potential consequences of the selected line of actions, decision making on and setting conditions for application of monetary policy tools.

Investment Committee

develops and adopts decisions on management of international reserves within the defined authorities. Key tasks include review of the investment strategy, monitoring of investment strategy implementation, assessment of investment activity efficiency with consideration of state of affairs in financial markets and development of tactical decisions within the framework of the approved strategy, development of suggestions and recommendations on improvement of investment activity.

Supervision Committee

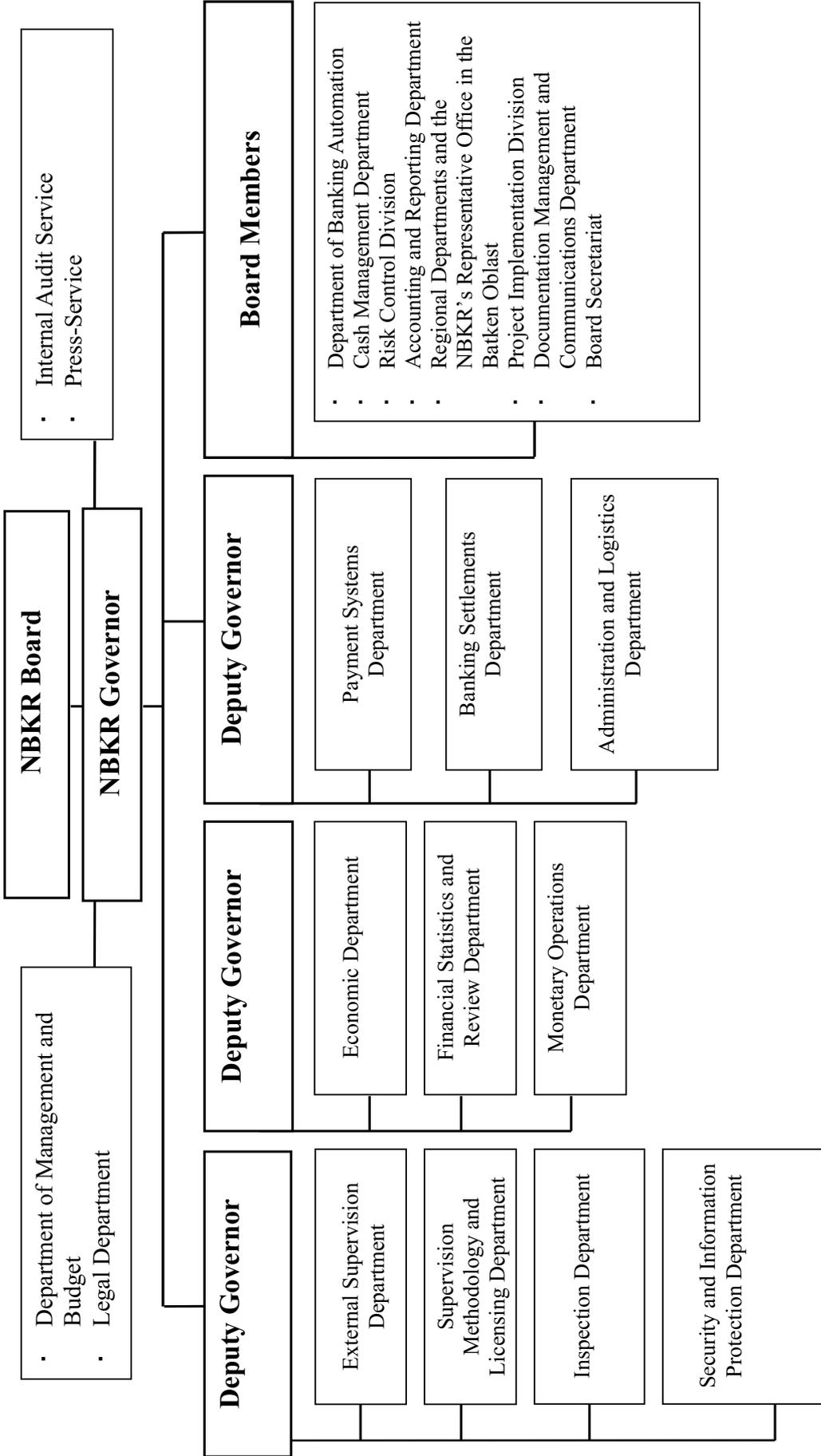
decision-making on regulation of and supervision over activities of commercial banks and other financial-credit institutions licensed by the NBKR.

Committee on the Payment System

coordination of the work of structural units to ensure the efficiency, reliability and security of the payment system. Key tasks comprise decision-making, development and

	submission of recommendations (opinions) on issues related to the payment system.
<i>Risk Committee</i>	develops recommendations on risks minimization through coordination of the structural units' activities on defining, evaluation and minimizing risks associated with the NBKR activity.
<i>Coordination Committee on Information Systems</i>	develops decisions on and follows up measures for implementation of the Information System Development Strategy and Long-Term Information Systems Development Plan.
<i>Audit Committee</i>	renders assistance in provision of proper control over full and accurate financial statements of the National Bank, reliability and efficiency of the internal control system, independence of external and internal audit. Two thirds of the Committee's members are represented by independent experts.
<i>Disciplinary Commission</i>	reviews cases of violation of the labor discipline and supervises compliance of the NBKR staff with the Professional Code of Ethics.
<i>Anti-Corruption Commission</i>	carries out activity to prevent and fight against corruption by implementation and monitoring of anti-corruption measures.
<i>Commission on Labor Disputes</i>	reviews individual labor disputes within the NBKR.
<i>Methodology Commission</i>	reviews certain draft normative acts to verify their methodological elaboration. Approves terms used in normative acts of the NBKR and their definitions.
<i>Central Expert Commission</i>	organizes and conducts expert review of the NBKR documents and selects them for archive or disposal.

Organizational Chart of the National Bank of the Kyrgyz Republic
as of December 31, 2013



6.2. Activity of the Board of the National Bank of the Kyrgyz Republic in 2013

According to the Law “On the National Bank of the Kyrgyz Republic”, the Board is the supreme governing body of the National Bank and approves the main directions of its activity. Authorities of the Board are defined by the Law “On the National Bank of the Kyrgyz Republic”. The Board is headed by the Governor of the National Bank, who is elected by the Jogorku Kenesh of the Kyrgyz Republic on the proposal of the President of the Kyrgyz Republic. The members of the Board are appointed by the President of the Kyrgyz Republic as advised by the Governor of the NBKR.

General information

The Board sets the monetary policy and the policy of banking supervision and payment system development, approves statutory acts, annual report, sets the order of issuance of new designs and denominations of banknotes and the order of withdrawal from circulation of banknotes and coins, as well as the major directions in the development of the NBKR, commercial banks and the NFCIs. In accordance with the Regulation of the Board of the National Bank, the Board also considers other issues within its competence.

During the reporting period, the Board of the NBKR carried out its activities in accordance with the approved annual and quarterly Action Plans. In the reporting year, the Board held 53 meetings, reviewed 394 issues and adopted resolutions on 253 of them. Moreover, the Board held 17 information meetings, where 135 issues were reviewed.

In order to evaluate results of the current monetary policy the Board considered the Monetary Policy Reports on quarterly basis. The Reports reflected outcomes of monetary policy implementation and factors influencing the dynamics of inflation development as well as the analysis and forecast of economic development. Also on quarterly basis the Board considered proposals on monetary program for the forthcoming period. The Scenario of monetary program approved by the Board of the NBKR served as guidelines for the Monetary Policy Committee in taking immediate decisions.

Consideration of Monetary Policy issues

At information meetings held on monthly basis the Board considered overviews of the economic development trends in the trade partner countries of the Kyrgyz Republic and the current situation in the global commodity markets and markets of energy carriers in order to prevent adverse shocks on the economy of the republic.

In December of 2013, the Board of the NBKR approved the Main Monetary Policy Guidelines for 2014-2017. This document defines objectives of the Monetary Policy for the medium-term period on the basis of analysis of the economic situation and forecast of development of the key economic sectors. Measures for development and implementation of monetary policy stipulated by this document are aimed at achievement of the objectives defined by the National Strategy for Sustainable Development of the Kyrgyz Republic for 2013-2017.

The Board approved the Statement of the National Bank of the Kyrgyz Republic on Monetary Policy for 2014 at the end of the reporting year. Traditionally, such Statements are formed in order to provide information to the public on the major activities of the NBKR for the forthcoming period. The document was submitted to the Ministry of Economy of the Kyrgyz Republic for development of the Joint Statement of the Government of the Kyrgyz Republic and the National Bank of the Kyrgyz Republic on economic policy for 2014.

Due to adoption in 2014 of a new basis of monetary policy meant for improvement of interest rate channel operation within the transmission mechanism of monetary policy, as well as for raising the significance of discount rate, the Board of the NBKR took a decision on introduction of amendments into the mechanism of determining the NBKR discount rate since March 2014, i.e. it shall be determined based on separate decisions of the Board of the National Bank.

Within the framework of the NBKR communication policy development, in December, the Board elaborated the Schedule of the Board meetings to be held in 2014 on the issue related to the size of the NBKR discount rate, this Schedule is posted on the official web-site of the Bank. Following the new procedure, press-releases on the results of discussions at the meetings held by the Board on the issue related to the size of the NBKR discount rate will also be posted on the official web-site of the Bank.

Moreover, the Government reviewed the action plan of the National Bank for implementation of the National Strategy for Sustainable Development of the Kyrgyz Republic for 2013-2017 and the Government Program “Transition to Sustainable Development of the Kyrgyz Republic for 2013-2017”.

Reports on the state of financial stability in the Kyrgyz Republic were considered on semi-annual basis. These reports contained analysis of risks, vulnerabilities and challenges in the financial system of the Kyrgyz Republic and their impact on the sustainability of the financial sector in general. Findings of monitoring and analysis of the financial stability were then taken into consideration by the National Bank when developing Main Monetary Policy Guidelines.

The Board reviewed amendments and additions to be introduced to the regulatory acts on monetary policy instruments for extension and improvement of monetary policy instruments in the National Bank. Generally, 35 issues on monetary policy were reviewed in 2013; thereof resolutions were adopted on 30 issues.

According to the Law “On the National Bank of the Kyrgyz Republic” the scope of key objectives of the National Bank in international reserves management includes principles of liquidity and safety of reserve assets. To accomplish these tasks, the Board of the National Bank reviews and adopts investment policy and benchmark portfolio for the forthcoming period on annual basis. It also considers and approves the International Reserves Management Report on annual basis to evaluate the efficiency of international reserves management.

On annual basis the Board of the National Bank considers and approves the volume of purchase of monetary gold in the domestic market of the Kyrgyz Republic for the forthcoming year with the aim to expand the volume of international reserves using the internal resources. In overall, the Board considered 3 issues and adopted appropriate Resolutions with respect to international reserves management in 2013.

The Board regularly considered issues related to ensuring safe, reliable and steady work of the banking system, safety of assets to protect interests of depositors and other creditors of banks, as well as measures were taken to increase confidence of population in banks.

The Board reviewed reports on implementation of supervisory activities on quarterly basis and issues on current activities of commercial banks, operating in special regimes were reviewed on monthly basis.

The Board adopted a number of resolutions meant to improve regulatory basis for supervision and regulation of activities of banks and nonbank financial-credit institutions over the reporting period.

In the reporting period, the Board adopted a number of resolutions meant for further strengthening of reliability and safety of microfinance system. Requirements to arrangement of internal control in the microfinance companies on the issues related to counter-terrorism financing and anti-money laundering were introduced.

Following the legislation on creation of conditions for promoting Islamic banking in the Kyrgyz Republic, the Board approved regulatory legal acts on banking management, microfinance organizations and credit unions carrying out operations in line with the Islamic principles of banking and finance, including acts aimed at limitation of credit risk in provision of financing following these principles.

Under the pretrial dispute settlement, the Board of the National Bank considered

*Consideration
of issues related
to oversight
of banks and
nonbank financial
institutions*

issues related to measures applied by the Supervision Committee to certain commercial banks.

On quarterly basis the Board of the National Bank considered findings of monitoring of achievement of target indicators in development of the banking system set in the Guidelines of the Banking Sector Development until the end of 2014.

In total, 141 issues were reviewed, 83 resolutions were adopted on the issues related to the activities of commercial banks and other financial-credit institutions licensed by the NBKR, thereof 29 resolutions were related to regulatory base governing the activities of such institutions. These were new regulatory acts and amendments introduced to the regulatory acts adopted earlier.

The Board of the National Bank worked on improvement of the payment system operation in order to develop policy related to general structure and practical operation of the payment system in the Kyrgyz Republic.

The Board introduced amendments to the Regulations “On Non-Cash Settlements in the Kyrgyz Republic” related to bank payment cards used in payment for goods, works and services, taxes, fees, as well as other payments for improvement the system of non-cash settlements and determining the procedure of accounting non-cash tax payments.

Amendments were introduced to the Regulations “On Bank Payment Cards in the Kyrgyz Republic” and “On Licensing of Activities on Rendering Payment Services with Use of E-money Represented by Prepaid Cards” to increase the volume of payments by means of bank payment cards and to extend the scope of small sums payment by means of prepaid cards (such as gift, youth, school, social projects, purchase of goods/services, cards for borrowers of MCC and others).

On quarterly basis, the Board considered reports on the current state of the payment system of the Kyrgyz Republic and results of payment system supervision.

During the reporting year, the Board reviewed 17 issues related to payment system, resolutions were adopted on 12 issues aimed at further development of payment system, expanding the scope of used payment tools and mitigating risks in the payment system.

During the reporting year, the Board also considered the issues on organization of activity of the NBKR, and other issues and 125 resolutions were adopted thereon. The Board considered 73 issues, which were to be discussed in advance.

Consideration of issues related to the payment system

Other issues

6.3. Improvement of Banking Legislation

In 2013, the National Bank took measures on improvement and development of the legislative framework governing the banking activity in the Kyrgyz Republic.

In the reporting period, amendments and addenda were introduced to the banking legislation, including the Laws of the Kyrgyz Republic “On Microfinance Organizations in the Kyrgyz Republic”, “On Credit Unions” and “On Transactions in Foreign Currency”, aimed at creation of conditions for further high quality development of microfinance sector, improvement of regulatory environment to strengthen the system of microfinance organizations and credit unions, to provide its sustainability, survivability and availability for common citizens. The amendments and addenda adopted on April 26, 2013, stipulate enhancement of capabilities of microfinance organizations and credit unions with regard to conducted transactions, as well as protection of borrowers’ rights and development of market competition, extension of the range of entities entitled to professionally conduct transactions in foreign currency.

Work of the draft Law “On Payment System of the Kyrgyz Republic” was continued for further development of the banking legislation in the Kyrgyz Republic. This Law is aimed at regulation of the national payment system operation in compliance with the state policy on provision of efficient cash circulation, as well as activities of

Improvement of laws

legal entities being not financial-credit institutions and rendering services on payments acceptance in favor of third parties in the territory of the Kyrgyz Republic, rendering services on acceptance, processing and provision of information related to payments and settlements.

In pursuance of the Law of the Kyrgyz Republic “On Restraining Usurious Activity in the Kyrgyz Republic” the National Bank developed the Methods of calculating the weighted average interest rate on loans provided by the financial-credit institutions.

In 2013, the National Bank continued the work on agreement and further promotion of the draft of Banking Code of the Kyrgyz Republic – codified regulatory legal act, as well as the draft Law “On Enforcement of Banking Code of the Kyrgyz Republic”. The draft of Banking Code was introduced for consideration of the Jogorku Kenesh of the Kyrgyz Republic.

*Improvement of
RLA*

In 2013, the work on improving the regulatory and legal framework governing activities of banks and other financial-credit institutions licensed and supervised by the National Bank was continued. Over 250 resolutions were adopted on these issues by the Board and the Supervision Committee of the National Bank, including the following:

- “On Amendments and Addenda to Resolution of the Board of the National Bank of the Kyrgyz Republic #5/7 dated March 2, 2006, “On Approval of the Regulations “On Licensing the Activity of Banks” registered under #34-06 in the Ministry of Justice of the Kyrgyz Republic on April 7, 2006” dated January 31, 2013;
- “On Amendment to Resolution of the National Bank of the Kyrgyz Republic #5/7 dated March 2, 2006 “On Approval of the Regulations “On Licensing the Activity of Banks” registered under #34-06 in the Ministry of Justice of the Kyrgyz Republic on April 7, 2006” dated February 13, 2013; “On Amendments and Addenda to Some Regulatory Legal Acts of the National Bank of the Kyrgyz Republic (to Regulations “On Licensing of Credit Unions” and to Regulations “On Licensing, Reorganization and Liquidation of Microfinance Companies in the Territory of the Kyrgyz Republic”);
- “On Amendments and Addenda to Guidelines on Maintenance of Database on Obligations of Banks to their Depositors Approved by Resolution of Supervision Committee” dated March 22, 2013;
- “On Approval of Regulations “On Deposit Accounting of Government Securities Placed through the National Bank of the Kyrgyz Republic” dated March 28, 2013;
- “On Approval of Regulations “On Issue, Placement, Circulation and Redemption of Notes of the National Bank of the Kyrgyz Republic” dated March 28, 2013;
- “On Approval of Regulations “On Intraday Credit of the National Bank of the Kyrgyz Republic” dated March 28, 2013;
- “On Approval of Regulations “On Overnight Credit of the National Bank of the Kyrgyz Republic” dated March 28, 2013;
- “On Amendments and Addenda to Some Regulatory Legal Acts of the National Bank of the Kyrgyz Republic” (to Regulations “On Minimum Requirements to Arrangement of Internal Control in Commercial Banks for Counter-Terrorism (Extremism) Financing and Anti-Money Laundering” and to Regulations “On Minimum Requirements to Arrangement of Internal Control in Microfinance Organizations and Credit Unions of the Kyrgyz Republic for Counter-Terrorism (Extremism) Financing and Anti-Money Laundering”) dated April 10, 2013;
- “On Amendments and Addenda to Some Regulatory Legal Acts of the National Bank of the Kyrgyz Republic” (to Instructions “On Requirements to Operations of Banks with Insiders and Affiliated Persons” and to Interim Rules of Regulating the Activity of Microfinance Companies in the Territory of the Kyrgyz Republic) dated April 24, 2013;

- “On Approval of Regulations “On Minimum Requirements to Pricing Policy of Banking Services and Services Rendered by Microfinance Organizations”; “On Explanation (Clarification) of Paragraph 1-2 of the Resolution of the Board of the National Bank of the Kyrgyz Republic “On Minimum Size of Capital (Own Resources) of Banks” #12/6 dated March 11, 2009;
- “On Amendments and Addenda to Regulations “On Periodic Regulatory Bank Reports” approved by Resolution of the Board of the National Bank of the Kyrgyz Republic #26/5 dated August 25, 2005 registered under #132-05 in the Ministry of Justice of the Kyrgyz Republic on September 16, 2005” dated June 26, 2013;
- “On Amendments and Addenda to Guidelines on Filling-in Periodic Regulatory Bank Reports” dated August 7, 2013;
- “On Amendments and Addenda to Some Regulatory Legal Acts of the National Bank of the Kyrgyz Republic” (to Regulations “On Implementation of Islamic Principles of Finance in the Kyrgyz Republic within the framework of Pilot Project”, to Regulations “On Operations Conducted under Islamic Principles of Banking and Finance” and to Interim Regulations “On Requirements to Standard Agreements Concluded under Islamic Principles of Banking and Finance”) dated August 28, 2013;
- “On Approval of Regulations “On Minimum Requirements to Credit Risk Management in Carrying out Operations under Islamic Principles of Banking and Finance” dated September 25, 2013;
- “On Approval of Regulations “On Minimum Requirements to Standard Agreements of Microfinance Organizations and Credit Unions Concluded under Islamic Principles of Banking and Finance” dated October 23, 2013;
- “On Amendments and Addenda to Some Regulatory Legal Acts of the National Bank of the Kyrgyz Republic” (to Regulations “On Minimum Requirements to Pricing Policy of Banking Services and Services Rendered by Microfinance Organizations” and to Interim Rules of Regulating the Activity of Microfinance Companies in the Territory of the Kyrgyz Republic) dated November 27, 2013;
- “On Approval of Regulations “On Minimum Requirements to Credit Risk Management in Credit Unions Conducting Operations under Islamic Principles of Banking and Finance”; “On Approval of Instructions “On Carrying out Inspections of the Activity of Microfinance Organizations not Attracting Deposits” and others dated December 23, 2013;

6.4. Fulfillment of Financial Advisor Functions

In 2013, as part of fulfilling the functions of the Financial Advisor of the President of the Kyrgyz Republic, the Jogorku Kenesh of the Kyrgyz Republic and the Government of the Kyrgyz Republic the National Bank carried out the following activities:

- regularly furnished information and analytical materials on monetary policy implementation, the status of the banking system and the status of the payment system to the President, Jogorku Kenesh and the Government of the Kyrgyz Republic;
- examined the legislations and other regulatory legal acts and decisions affecting the financial and banking issues, or the scope of authority of the National Bank;
- provided consultations to the Government of the Kyrgyz Republic in consideration of the state budget;
- rendered consultations and provided recommendations on the issues of financial and banking systems to the President, Jogorku Kenesh and the Government of the Kyrgyz Republic (including ministries and agencies).

Analytical information regularly furnished to the President, Jogorku Kenesh and the

Government of the Kyrgyz Republic included information on major trends of monetary policy of the National Bank, forecasts on development of key macroeconomic indicators, the state of affairs in the external sector of economy. To be specific, information letters were sent depicting the results of social and economic development, foreign loans, the status of the balance of payments and exchange rate, the state of affair in foreign trade, conditions of the banking system, the system of nonbank financial-credit institutions, dynamics of key indicators of the banking and nonbank financial-credit system and specifying measures adopted by the National Bank to revise the Kyrgyz legislation pertaining to protection of rights of customers of financial services.

As part of coordination of activity in the sphere of economic policy, the condition of banking system, and the system of nonbank financial-credit institutions, the National Bank provided information on proposals and forecasts with regard to macroeconomic situation. Information was submitted to appropriate ministries and authorities to be included in the National overview of trade policy and approved by the Committee on supervision of trade policy in the World Trade Organization: information on development of state system for provision of food security, information on placement of government securities on the trading platform of stock exchange, information on the volumes and management of international reserves, on Government securities, as well as information on situation in the sphere of payment system and other issues.

The National Bank gave recommendations and proposals related to forecasts of macroeconomic situation as part of implementing economic program for 2011-2014 supported by the International Monetary Fund within the framework of expanding credit mechanism. Information was submitted on work with missions of the IMF and the World Bank related to the Program on appraisal of financial sector. Proposals were prepared on stabilization of situation in the external sector of economy.

In overall, operating as financial advisor the National Bank sent over 500 letters to the government agencies over the reporting period.

In the reporting year, the National Bank carried out expert appraisal of 38 draft laws, including the following:

- on Republican Budget of the Kyrgyz Republic for 2014 and Forecast for 2015-2016;
- on Amendments and Addenda to the Constitutional Law of the Kyrgyz Republic “On the Government of the Kyrgyz Republic” and on Addenda to the Law of the Kyrgyz Republic “On Procedural Rules of Jogorku Kenesh of the Kyrgyz Republic”;
- on Exchange of Credit Information;
- on Restraining Usurious Activity in the Kyrgyz Republic and on Amendments and Addenda to Some Legal Acts of the Kyrgyz Republic;
- on Amendments to the Law of the Kyrgyz Republic “On the National Bank of the Kyrgyz Republic”;
- on Amendments and Addenda to Some Legal Acts of the Kyrgyz Republic (to the Civil Code and the Law “On Pledge”);
- on Licenses and Permits of the Kyrgyz Republic;
- on Guarantee Funds in the Kyrgyz Republic;
- on Amendments and Addenda to the Tax Code of the Kyrgyz Republic;
- on Amendments and Addenda to the Law of the Kyrgyz Republic “On Protection of Bank Deposits”;
- on Amendments and Addenda to the Law of the Kyrgyz Republic “On Securities Market”;
- on Amendments and Addenda to the Law of the Kyrgyz Republic “On Accounts Chamber of the Kyrgyz Republic” and to the Law of the Kyrgyz Republic “On Procedural Rules of Jogorku Kenesh of the Kyrgyz Republic”;

- on Amendments and Addenda to the Law of the Kyrgyz Republic “On Bankruptcy (Financial Insolvency)”;
- on Amendments and Addenda to the Criminal Code of the Kyrgyz Republic and others.

In 2013, the National Bank conducted expert appraisal of and elaborated proposals on over 40 draft resolutions of the Government of the Kyrgyz Republic, including the following:

- on Medium-Term Forecast of Social and Economic Development of the Kyrgyz Republic for 2014-2016;
- on Results of Social and Economic Development of the Kyrgyz Republic in January-September 2013;
- on Results of Social and Economic Development of the Kyrgyz Republic for 2012;
- on Measure for Implementation of Requirements of the Tax Code;
- on Accrual of Interest onto the Accounts of the Government in the National Bank;
- on Approval of Draft Concept for Export Development for 2013-2017;
- on Measure for Implementation of Requirements of the Customs Code;
- on Approval of the Program for Modernization of the State Enterprise “Kyrgyzpochtasy” under the Ministry of Transport and Communications, Development of Postal Saving System and Establishment of Postal Bank for 2013-2017;
- on Amendments to Resolution of the Government “On Approval of Tax Rate on the Basis of Obligatory Patent by Types of Business Activity” #58 dated January 28, 2009;
- on Amendments and Addenda to Resolution of the Government “On Approval of Regulations for Trade in the Territory of the Kyrgyz Republic” #118 dated March 2, 2010;
- on Amendments and Addenda to Resolution of the Government “On Approval of the Strategy of Developing the State Tax Service under the Government for 2012-2014” #184 dated March 19, 2012;
- on Approval of Regulations on the Procedure of Providing Public Guarantees;
- on Establishment of Institutions “Center of Judicial Representation” under the Government;
- on Approval of Action Plan for Legislative Activity of the Government for 2014”;
- on Increasing of Credit Resources for Leasing Agricultural Machines of OJSC “Financial Company of Credit Unions” and others.

In 2013, the National Bank contributed to development and implementation of State Programs and Plans, including the following:

- The National Strategy for Sustainable Development of the Kyrgyz Republic for 2013-2017;
- The Program of the Kyrgyz Republic Transition to Sustainable Development for 2013-2017;
- Economic Program of the Kyrgyz Republic for 2011-2014 supported by the International Monetary Fund on Implementation of the Extended Credit Facility (ECF);
- State Program on Increasing the Share of Non-Cash Payments and Settlements in the Kyrgyz Republic for 2012-2017;
- Microfinance Development Strategy for 2011-2015;
- Program of the Government “Financing of Agriculture”;
- project “Concepts of Fiscal Policy for 2013-2020”;
- project “Strategy of Export Development for 2013-2017”;
- Plan of Legislative Activity of the Government for 2013 and others.

Development and implementation of State Programs

*Expert appraisal
of International
Agreements*

Within the framework of the Kyrgyz Republic participation in international and interstate organizations the National Bank carried out expert appraisal of international contracts and agreements related to financial and banking system of the Kyrgyz Republic, including:

- draft Protocol of the 15th Meeting of the Kyrgyz-Russian Interstate Commission on Trade and Economic, Scientific and Technical, as well as Humanitarian Cooperation;
- agreements Relating to Operation of the Customs Union, as well as the Issues Relating to Joining the Customs Union;
- draft of Memorandum of Understanding between the European Union and the Kyrgyz Republic;
- draft Agreement on Rendering Microfinance Assistance between the Kyrgyz Republic and the European Union;
- protocol of the 4th Meeting of the Kyrgyz-Austrian Commission on Bilateral Economic Relations;
- drafts of Intergovernmental Agreements on Bilateral Cooperation Between the Kyrgyz Republic and the Republic of Uzbekistan;
- draft Agreement of Free Trading with the Services of the States Members of the Commonwealth of Independent States;
- framework Agreement between the Kyrgyz Republic and the European Investment Bank on Operation of the European Bank in the Kyrgyz Republic;
- draft Agreement between the Government of the Kyrgyz Republic and the Government of the FRG on Technical and Financial Cooperation;
- draft Agreements on Stimulation and Protection of Investments between the Kyrgyz Republic and the United Arab Emirates, Austria and Turkey;
- draft Agreement between the Government of Poland and the Government of the Kyrgyz Republic on Provision of Loans within the framework of Related Assistance and others.

Conclusions were made, as well as recommendations and proposals were given on the issues falling within the competence of the National Bank based on the outcomes of the expert appraisal of draft laws, draft resolutions of the Government, international contracts and agreements and other drafts of regulatory and legal acts.

In the reporting period, the National Bank participated in the work of intergovernmental commissions, which are one of the tools for development and stimulating bilateral cooperation of our republic with such countries as Russia, Kazakhstan, Tajikistan, Ukraine, Austria, Poland, Turkey, etc. The issues of banking activity, particularly establishment and operation of foreign banks in the territory of the Kyrgyz Republic were repeatedly considered within the framework of intergovernmental commissions' activity, statistical data were regularly provided on trade, state debt and remittances.

*Operation in
the interagency
commissions*

In the reporting year, the representatives of the National Bank participated in the operation of 15 interagency working groups and commissions on the following issues:

- coordination of issues of monetary, tax and budget policy within the framework the Interagency Coordination Council operating between the Ministry of Finance and the National Bank;
- negotiations on joining by the Kyrgyz Republic of the Customs Union and the Common Economic Space, as well as development of interaction mechanism among the departments within the framework of entering the Customs Union by the Kyrgyz Republic;
- development of Program on raising financial literacy of the population of the Kyrgyz Republic;
- development of the draft Law of the Kyrgyz Republic “On Exchange of Credit Information”;

- arrangement of issues among borrowers, pledgers suffered during the events, which occurred in April, June, 2010, as well as commercial banks, nonbank financial-credit institutions;
- development of protection concept for the deposits in the microfinance institutions, which shall be used as a basis in further development of regulatory and legal framework of the deposit protection system in the microfinance institutions;
- operation of the Coordination Board on implementation of the Strategy of Microfinance Development for 2011-2015;
- increasing the share of non-cash payments and settlements in the Kyrgyz Republic;
- improvement of the Law of the Kyrgyz Republic “On Protection of Banking Deposits”;
- further implementation of the Memorandum of Understanding between the Kyrgyz Republic and OJSC “EcoIslamicBank” regarding introduction of Islamic banking and finance in the Kyrgyz Republic;
- on international arbitration disputes regarding the issues of protecting the interests of the Kyrgyz Republic;
- carrying out analysis of regulatory effect of the draft laws meant for regulation entrepreneurial activity initiated by Jogorku Kenesh of the Kyrgyz Republic;
- improvement of the Law of the Kyrgyz Republic “On Protection of Consumers’ Rights”;
- with regard to the issue of the US Law “On Foreign Account Tax Compliance Act” (FATCA);
- inventory taking of regulatory and legal acts of the Kyrgyz Republic.

Information was submitted and proposals were given on the issues falling within the competence of the National Bank based on the outcomes of participation in operation of interagency working groups and commissions.

Projects on transition to non-cash payment of pensions, government allowances, compensations and other social payments by means of accounts in the commercial banks through bank payment cards were introduced within the framework of operation of the Interagency Commission on increasing the share of non-cash payments and settlements in the Kyrgyz Republic. The following projects were also introduced: pilot project “Card of budget funds recipient” as a current alternative for check books and replacement of manual processing with automated accounting and the project of penalties payment for violation of traffic rules with bank payment cards.

The expert group on promotion of microfinance of the Coordination Board developed the draft program on raising financial literacy of the population and submitted for consideration of the Government. Proposals were provided for improvement of the Law of the Kyrgyz Republic “On Protection of Banking Deposits”. Participation in development of draft regulatory and legal acts meant for elimination of discrepancies and incompliance of regulatory and legal acts in the current legislation of the Kyrgyz Republic was accepted within the framework of operation of the Interagency Commission on inventory taking of regulatory and legal acts.

6.5. Internal Audit and Internal Control System

In accordance with the Law “On the National Bank of the Kyrgyz Republic” the internal audit in the National Bank was fulfilled by the Internal Audit Service.

Legal framework

The major tasks of the Internal Audit Service are to carry out assessment of internal control system and risk management in structural units, to conduct supervision over fulfillment of task and functions imposed on them, cooperation with the Audit Committee of the National Bank, as well as with external auditors on auditing financial statements of the National Bank.

Assessment of performance of internal audit

The activity of the Internal Audit Service is carried out based on the International Standards of Internal Audit, basic principles for the professional practice of internal audit and the Code of Ethics.

The independent external assessment of activities carried out by the Internal Audit Service, started in 2012 and conducted in the reporting period by the certified internal expert auditor of the Deutsche BundesBank was completed. The assessment was carried out based on the Guidelines for assessment of quality of the Institute of Internal Auditors (IIA), according to the requirements of the International Standards for the Professional Practice of Internal Auditing and within legal framework of the Kyrgyz Republic.

Based on findings of carried out assessment the activity of the Internal Audit Service was recognized as «generally conforms» that is the best level of rating on compliance with the requirements of the International Standards of Internal Auditing and the Code of Ethics of the Institute of Internal Auditors. The expert noted high level of compliance and recommendations for improvement of methodology of internal audit and application of the best international practices were submitted.

Performance of internal audit

In the reporting period, audit inspections were carried out on the main directions of activities performed by the National Bank, including cash circulation, ensuring information security and automation of activity of the National Bank, human resource management, as well as other directions.

Based on findings of the inspections, the internal auditors issued recommendations for improvement of the internal regulatory and legal acts, the internal control system and risk management. Findings of the internal audit carried out in 2013 lead to conclusion that the activities of the National Bank in all major aspects comply with regulatory and legal acts of the Kyrgyz Republic and the internal control system, in general, is adequate to accepted risks.

The Internal Audit Service carried out regular monitoring of compliance with the requirements based on the results of audit inspections.

Interaction with external auditors

Within interaction with external auditors, the Internal Audit Service coordinated work with the international audit organizations: LLC “KPMG” which carried out audit of financial statements of the National Bank for 2012 and with LLC “Grant Thornton” on carrying out independent audit of financial statements for 2013.

According to the objectives and tasks imposed on the Audit Committee, 18 meetings were held in the reporting period, the questions concerning its competence were considered at these meetings, and decisions were made. The Audit Committee reviewed internal regulatory documents on methodology of internal audit, results of carried out monitoring on compliance with recommendations of internal and external audit, the recommendations received within independent external assessment of activity performed by the Internal Audit Service, as well as reports of the Internal Audit Service.

For improvement of knowledge, skills and competence of internal auditors by continuous professional development, the auditors participated in training seminars of the central banks of the CIS and non-CIS countries, as well as the programs for independent studying the materials of IIA. Within professional development and strengthening personnel potential the staff of the Internal Audit Service was trained within the framework of the program of the Certified Internal Auditing.

6.6. Informing the Public

In 2013, the National Bank continued operation on improvement of transparency of its activity, provision more detailed information to the public about pursued monetary policy and explanation of the processes, which occur in the banking sector and payment system of the republic. Informing the public was carried out by means of issuing official publications, posting information on the official web-site, information publication in

mass media, translations on TV and radio broadcasting, holding press conferences and briefings with participation of the administration and other events of an information and educational orientation for various target groups.

In the reporting year, the National Bank improved methods of work on forming and maintenance of public relations and strengthened the direction of informing the public about its activity within performing functions and tasks of the central bank. Press service was primarily established for cooperation on the NBKR with mass media.

Cooperation with mass media

One of the important areas of work in the field of informing the public was regular placement of the information, educational and analytical materials concerning all activities of the National Bank, its functions and tasks in mass media. Topicality and significance of the subject were thus considered, popular and suitable for target group publications were selected. In overall, approximately 400 publications were initiated and prepared by the National Bank in the reporting year, including the inquiries of the journalists, for the national and international mass media. In the reporting period, about 200 written and oral inquiries of the mass media were registered and processed.

Moreover, in 2013, 51 special news messages were posted on the web-site of the NBKR, these news contained information on the official position of the National Bank with regard to topical issues, and also information on the results of its activity.

News

Cooperation of the National Bank with regional mass media was intensified. The volume of published information increased significantly, including within implementation of long-term information campaign for raising financial literacy of the population. In 2013, about 100 publications were issued through local administrations in the regions. Thus, electronic mass media were involved (such as TV, radio, the Internet), as well as the press. The staff of regional administrations gave interviews and placed thematic articles.

The National Bank regularly organized special information and educational events for representatives of mass media to develop cooperation with mass media and raise the level of financial literacy of the population. Experts of the NBKR participated in nine press-conferences and briefings, including traditional quarterly events, where monetary policy results were provided. Data and clarification of the situation in the microfinancial sector of the republic, the banking sphere, the trends in the foreign exchange market and in the payment system were furnished at the meetings with journalists. In addition, in 2013, special projects for journalists – seminars, round tables, forums, press-tours were renewed.

Special events for mass media

Release of own media product is one more important direction in operation of the National Bank on informing the public. The format of TV and radio programs “Natsbank Soobshaet...” (The National Bank Informs...) was presented in 2013, meanwhile the information component and the main objective – covering the main events occurred in the National Bank and in the financial sector of the country remained. In the reporting year, 14 television programs on EITR TV channel and 72 radio programs on “Birinci radio” (the First Radio) were released. Educational releases were devoted to the role and functions of the National Bank, questions in the field of the banking legislation, work of the financial, foreign exchange markets, the market of payment systems and securities, as well as the hot topics exciting society at the current moment, such as a problem of anti-money laundering and terrorism financing, the international reserves, the state securities, the credits, bank cards, collection coins of the NBKR and many other issues.

TV-and radio programs

Information is constantly posted on the NBKR web-site in the section “Press-center”, archival materials of publications released in mass media are posted here, as well as releases of TV-and radio program “Natsbank Soobshaet...” (The National Bank Informs...).

Work on providing consultations to the population on all questions falling within the competence of the National Bank, on written addresses and applications of citizens within the Public Chamber activity was continued. In overall, in 2013, 985 written

Public Chamber activity

applications (including in regional departments – 348) were forwarded to the address of the NBKR. Generally, written applications contained requests on providing data for discount rate of foreign currencies to the Kyrgyz som and discount rate of refinancing, established by the National Bank, on activity of banks and nonbank financial institutions of the republic; on the procedure of establishment of MCC and MCA and other questions.

In pursuance of the Law “On the Procedure of Consideration of Citizens’ Applications”, the relevant information, including the e-mail address to which the citizens can send applications and addresses, and also requirements to filling in addresses was placed at information stands in the central office and in all regional departments and Representative Office of the National Bank, on the official web-site of the National Bank in a news line and in the section “About bank”.

Expert forums

During the year, the National Bank held expert forums with participation of economists and financial experts from the state and private sectors, the international organizations and higher educational institutions. Main objective of these forums is development by independent economists of the recommendations aimed at providing macroeconomic stability in the country. The National Bank held regional expert forums on the basis of all its regional departments and Batken Representative Office. Results of discussions carried out at meetings of expert forums were regularly covered in press releases of the National Bank, materials of newspapers, on the web-sites of the National Bank of the Kyrgyz Republic and mass media.

Round-table meeting with heads of commercial banks

In cooperation with Union of Legal Entities “Union of Banks of Kyrgyzstan” annual round-table meetings were organized with participation of heads of commercial banks, hot topics in the sphere of the banking sector, tasks and ways of their implementation were discussed during such meetings. In particular, questions on further development of deposit protection system to increase financial stability, a problem of providing the population with broad access to financial resources were considered; the attention was focused on need of introduction of new banking products, development of payment systems, conducting promotion of financial literacy. Besides, the main directions of the banking sector development in Kyrgyzstan for 2014-2017, and the questions of applying new monetary policy instruments by the National Bank and other questions were discussed.

20th anniversary of the national currency – the Kyrgyz som

The important place in information activities of the NBKR was taken by the 20th anniversary of the national currency – the Kyrgyz som. Different events associated with this anniversary were held in 2013.

Thus, in March 2013, the National Bank in cooperation with the Academy of Public Administration under the Government of the Kyrgyz Republic held regional scientific conference “National system of monetary circulation: formation and development prospects”. Representatives of public administration sector, the academic community and mass media took part in the conference. The results of formation of the Kyrgyz som and prospects of financial sector development in the Kyrgyz Republic were discussed at the conference.

On May 20, 2013, the international conference “The Transition Journey and the Road Ahead” on the basis of experience of the Caucasus countries and Central Asia was held in Bishkek. The National Bank of the Kyrgyz Republic, the International Monetary Fund, the European Bank for Reconstruction and Development, the State Secretariat for Economic Affairs (SECO) organized this event. Main objective of conference was to exchange opinions on experience and lessons learned during the twenty-year post-soviet transition period in the countries of the Caucasus and Central Asia (CSA) and priorities and tasks in the sphere of policy for the future, as well as development of joint decisions on key measures of policy and definition of priorities in the future for achievement of sustainable and comprehensive growth in the light of problems existing in the region.

The solemn meeting devoted to celebration of the 20th – anniversary of the national

currency introduction was held on May 21, 2013, the top management of the country, members of the commission on introduction of the Kyrgyz som, ex-chairmen of the National Bank of the Kyrgyz Republic participated in it. Heads of commercial banks and nonbank financial institutions, representatives of the central (national) banks, the international organizations and others participations took part in this meeting.

Contest of children's creativity, in which pupils aged 7 to 14 years participated and presented drawings and handworks, was devoted to the national currency. Contest for physically disabled people was organized. Winners of competitions were awarded with memorial gifts.

The numismatic exhibition was opened in the National Bank, it contained exposition of banknotes, which were in use in the territory of Kyrgyzstan since the ancient period up to now, allowing to track history of development of monetary circulation, and also the collection coins, which have been issued during the years of independence of the republic; drafts and samples of the banknotes, which have been issued during different periods, and reflecting stages of development of the Kyrgyz som. Excursions for representatives of mass media, students and participants of the contests were organized by the NBKR within the frameworks of the anniversary.

Within a year, the mobile exhibitions devoted to the 20th anniversary of the national currency introduction were organized. The tablets reflecting history of formation and development of the national currency, namely, the first som, drafts of the national banknotes and protective elements of banknotes were presented at the exhibition.

Mass media were actively involved in informing the public about the 20th anniversary of introduction of the national currency in the Kyrgyz Republic. Tens of articles are published, news were broadcasted, as well as analytical and educational TV and radio pieces, which were prepared by representatives of the NBKR, and created with use of comments of specialists of the National Bank at the initiative of mass media. Republican contest among journalists on the best coverage of the topic of the national currency, announced by the National Bank in 2013 within celebration of anniversary of the Kyrgyz som plaid a significant role in promoting this topic and release of materials about the national currency in mass media. In total, 67 works by 43 authors of electronic and print media of Bishkek city and regions were forwarded to participate in the contest.

Work on informing the regions of the republic was carried out through regional departments and Representative Office of the National Bank. Broadcasting by the regional departments of such movie-reels as: "About procedure of exchange of worn-out banknotes on suitable banknotes", "Protective elements of banknotes of the national currency", "Sales of collection coins" by means of regional TV- and radio companies allowed providing the population with information about protective elements of banknotes, about issued numismatic coins and procedure of their purchase.

The seminars held in Batken Representative Office, as well as Jalal-Abad, Issyk-Kul, Osh and Talas regional departments were devoted to increasing the share of non-cash payments and settlements. Seminars devoted to such topics as "Protective elements of banknotes", "Procedure of sorting suitable and worn-out banknotes", "Procedure of cash documents registration" were conducted for cash employees of the commercial banks' branches in Issyk-Kul Regional Department. In addition, the separate events related to celebration of the 20th anniversary of introduction of the national currency were held. Thus, the staff of Talas Regional Department of the National Bank held a contest among regional mass media. During the reporting period, the visitors of regional departments of the National Bank could examine an exposition of a mobile exhibition.

Introductory seminars and lectures were conducted for students of higher education institutions of the republic explaining the purpose, tasks and functions of the central bank. In commemoration of anniversary of the Kyrgyz som, during meetings with students of the cities of Bishkek, Jalal-Abad, Issyk-Kul and Naryn, experts of the National bank also told how the first banknotes of the independent Kyrgyz Republic

*Contest among
journalists*

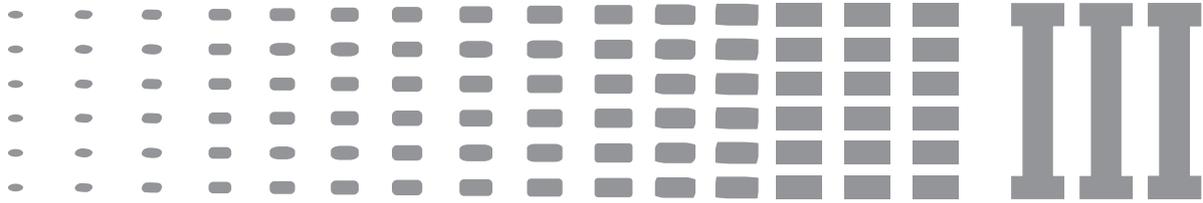
*Public information
in regions*

*Explanatory work
among students of
higher education
institutions*

were created, protective elements of banknotes, coins were improved and about careful attitude to them.

*Web-site of the
NBKR*

The official web-site of the NBKR remains the most important tool to inform the public, ensuring equal and timely access to information for all users. During the year, work on creation of new subsections and extension of information provided in existing sections of the web-site was continued. Thus, for example, in order to raise openness and provision of information transparency of the National Bank operation the section “About bank” was added with a new subsection “Anti-corruption measures of the NBKR”, where regulatory materials, program and action plan of anti-corruption measures are posted; the section “Monetary policy” was added with a subsection “Schedule of the Board’s meetings on monetary policy issues” and “Press releases of the Board’s meetings on monetary policy issues”; “Methodology of calculation of weighted average interest rate on the loans of financial-credit institutions” was posted in the section “Regulatory acts of the NBKR” in compliance with the Law “On Restraining Usurious Activity in the Kyrgyz Republic”. Information on weighted average interest rate on credits extended by the banks and NFCIs is regularly posted on the home page of the web-site for users’ convenience.



**FINANCIAL STATEMENTS
OF THE NATIONAL BANK
OF THE KYRGYZ REPUBLIC
FOR 2013**

CHAPTER 7. FINANCIAL STATEMENTS OF THE NATIONAL BANK OF THE KYRGYZ REPUBLIC FOR YEAR ENDED 31 DECEMBER 2013

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Independent auditor's report

ЖЧК Грант Торнтон
Раззакова к. 15- үй.
720040 Бишкек, Кыргызстан
Т + 996 312 98 60 40
F + 996 312 98 60 40
E info@kg.gt.com

ОсОО Грант Торнтон
ул. Раззакова, д. 15
720040 Бишкек, Кыргызстан
Т + 996 312 98 60 40
F + 996 312 98 60 40
E info@kg.gt.com

Grant Thornton LLC
15 Razzakova str
720040 Bishkek, Kyrgyzstan
T + 996 312 98 60 40
F + 996 312 98 60 40
E info@kg.gt.com

www.grantthornton.kg

To 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 (the “National Bank”), which comprise the statement of financial position as of December 31 2013, and the statement of profit or loss and 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

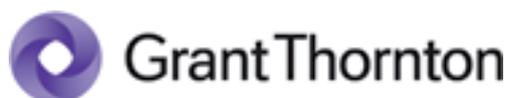
Management of the audited entity is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements 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 National Bank'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.

Аудит, Салык, Кеңеш берүү
Аудит, Налоги, Консультирование
Audit, Tax, Advisory
Грант Торнтон Интернешнл мүчөсү
Член Грант Торнтон Интернешнл
Member of Grant Thornton International Ltd



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 give a true and fair view of the financial position of the National Bank as at 31 December 2013, and of its financial performance and cash flows for the year then ended in accordance with the basis of preparation described in Note 2, which was established by the Management in order to satisfy the requirements of the Law of the Kyrgyz Republic «On the National Bank of the Kyrgyz Republic».

Grant Thornton LLC
20 March 2014

7.2. Statement of Financial Position as at 31 December 2013

	Note	2013 KGS'000	2012 KGS'000
ASSETS			
Precious metals	4	6 885 077	7 721 599
Due from banks and other financial institutions	5	74 082 074	57 260 628
Loans extended	6	854 131	810 528
Investments available-for-sale	7	28 864 607	32 554 699
Investments held-to-maturity	8	755 502	1 379 590
Investments held-to-maturity, pledged under repurchase agreements	8	756 049	931 657
Property and equipment	9	1 065 042	1 002 918
Intangible assets		50 631	3 232
Other assets	10	1 336 634	1 105 454
Total assets		114 649 747	102 770 305
LIABILITIES			
Banknotes and coins in circulation	11	66 954 154	58 252 168
Due to banks and other financial institutions	12	6 707 152	7 366 739
Due to the Government of the Kyrgyz Republic	13	8 425 690	5 192 410
Amounts payable under agreements of sale and repurchase of securities		585 744	796 711
Debt securities issued	14	6 634 637	3 046 903
Loans received	15	4 029 843	4 752 831
Liabilities to the IMF in respect of SDR allocations	16	6 426 299	6 192 312
Other liabilities		35 046	37 512
Total liabilities		99 798 565	85 637 586
EQUITY			
Charter capital	17	1 000 000	1 000 000
Obligatory reserve		3 188 193	2 953 496
Precious metal and foreign currency revaluation reserve		10 207 689	12 380 422
Revaluation reserve for investments available-for-sale		11 135	16 478
Retained earnings		444 165	782 323
Total equity		14 851 182	17 132 719
Total liabilities and equity		114 649 747	102 770 305

Asankojoeva Z.M.
Governor

20 March 2014

Bishkek
Kyrgyz Republic

Urgaliev Ch.M.
Chief Accountant

20 March 2014

Bishkek
Kyrgyz Republic

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements.

7.3. Statement of Profit or Loss for the year ended 31 December 2013

	Note	2013 KGS'000	2012 KGS'000
Interest income	18	1 018 119	1 161 496
Interest expense	18	(172 350)	(337 351)
Net interest income		845 769	824 145
Fee and commission income		25 875	20 423
Fee and commission expense		(9 211)	(1 089)
Net fee and commission income		16 664	19 334
Recoveries of impairment	19	14 563	59 189
Net gain on precious metals and foreign currencies operations	20	320 042	532 659
Other income		49 579	122 715
Net non-interest income		384 184	714 563
Operating income		1 246 617	1 558 042
Banknotes and coins production expenses		(239 986)	(250 955)
Administrative expenses	21	(552 414)	(513 951)
Other expenses		(10 052)	(10 813)
Operating expenses		(802 452)	(775 719)
Profit for the year		444 165	782 323

Asankojoeva Z.M.
Governor

20 March 2014

Bishkek
Kyrgyz Republic

Urgalieva Ch.M.
Chief Accountant

20 March 2014

Bishkek
Kyrgyz Republic

The statement of profit or loss is to be read in conjunction with the notes to, and forming part of, the financial statements.

7.4. Statement of Comprehensive Income for the year ended 31 December 2013

	2013 KGS'000	2012 KGS'000
Profit for the year	444 165	782 323
Items that will be reclassified subsequently to profit or loss		
Revaluation reserve for foreign currency and precious metals:		
- Net (loss)/gain on revaluation of assets and liabilities in foreign currency and precious metals	(1 914 626)	2 832 735
- Net gain on foreign currency and precious metals transferred to profit or loss	(258 107)	(462 131)
Net loss on investments available-for-sale	(5 343)	(40 569)
Items that will not be reclassified subsequently to profit or loss	-	-
Other comprehensive (loss)/income for the year	(2 178 076)	2 330 035
Total comprehensive (loss)/income for the year	(1 733 911)	3 112 358

Asankojoeva Z.M.
Governor

20 March 2014

Bishkek
Kyrgyz Republic

Urgaliev Ch.M.
Chief Accountant

20 March 2014

Bishkek
Kyrgyz Republic

The statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the financial statements.

7.5. Statement of Cash Flows for the year ended 31 December 2013

	2013 KGS'000	2012 KGS'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest and fee and commission received	1 129 914	886 188
Interest and fee and commission payments	(130 404)	(215 219)
Realized gain on foreign exchange operations	61 935	70 528
Other income	27 892	92 781
Payroll expenses	(351 538)	(320 841)
Expenses on banknotes and coins, issued into circulation	(239 986)	(319 779)
Administrative expenses	(308 886)	(146 384)
Cash flow from operating activities before changes in operating assets and liabilities	188 927	47 274
(Increase)/decrease in operating assets		
Precious metals	(1 198 781)	(1 129 253)
Due from banks and other financial institutions	(9 335 426)	511 913
Loans extended	(32 846)	516 717
Investments available-for-sale	2 599 838	(10 785 039)
Other assets	(55 361)	(15 130)
Increase/(decrease) in operating liabilities		
Banknotes and coins in circulation	8 701 986	8 385 232
Due to banks and other financial institutions	(694 365)	1 755 085
Accounts of the Government of the Kyrgyz Republic	2 609 978	(2 186 418)
Debt securities issued	3 583 083	1 690 825
Amounts payable under agreements of sale and repurchase of securities	(211 373)	588 978
Other liabilities	1 829	(58 375)
Net cash from/(used in) from operating activities	6 157 489	(678 191)

The statement of cash flows is to be read in conjunction with the notes to, and forming part of, the financial statements.

	2013 KGS'000	2012 KGS'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, equipment and intangible assets	(166 447)	(402 192)
Proceeds on redemption of investments held-to-maturity	683 352	64 352
Proceeds from disposal of unconsolidated subsidiary	-	8 984
Increase of investments into associated companies	-	(61 000)
Interest received on investments held-to-maturity	101 400	95 320
Dividends received	22 075	25 971
Net cash from/(used in) investing activities	640 380	(268 565)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans	-	57 705
Repayment of loans	(872 468)	(1 026 911)
Net cash used in financing activities	(872 468)	(969 206)
Net (decrease)/increase in cash and cash equivalents	5 925 401	(1 915 962)
Effect of changes in exchange rates on cash and cash equivalents	759 732	553 456
Cash and cash equivalents as at the beginning of the year	27 456 868	28 819 374
Cash and cash equivalents as at the end of the year (Note 5)	34 142 001	27 456 868

Asankojoeva Z.M.
Governor

20 March 2014

Bishkek
Kyrgyz Republic

Urgaliev Ch.M.
Chief Accountant

20 March 2014

Bishkek
Kyrgyz Republic

The statement of cash flows is to be read in conjunction with the notes to, and forming part of, the financial statements.

7.6. Statement of Changes in Equity for the year ended 31 December 2013

KGS'000	Charter capital	Obligatory reserve	Precious metal and foreign currency revaluation reserve	Revaluation reserve for investments available-for-sale	Retained earnings	Total
Balance as at 1 January 2012	1 000 000	2 278 165	10 009 818	57 047	2 251 101	15 596 131
Total comprehensive income						
Profit for the year	-	-	-	-	782 323	782 323
Other comprehensive income						
Net loss on investments available-for-sale	-	-	-	(40 569)	-	(40 569)
Net gain on revaluation of assets and liabilities in foreign currency and precious metals	-	-	2 832 735	-	-	2 832 735
Net gain on foreign currencies and precious metals transferred to profit or loss	-	-	(462 131)	-	-	(462 131)
Total other comprehensive (loss)/ income	-	-	2 370 604	(40 569)	-	2 330 035
Total comprehensive income for the year	-	-	2 370 604	(40 569)	782 323	3 112 358
Transactions recorded directly in equity						
Distribution of prior year profit to the state budget	-	-	-	-	(1 575 770)	(1 575 770)
Transfer to obligatory reserve	-	675 331	-	-	(675 331)	-
Total	-	675 331	-	-	(2 251 101)	(1 575 770)
Balance as at 31 December 2012	1 000 000	2 953 496	12 380 422	16 478	782 323	17 132 719

The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the financial statements.

	Charter capital	Obligatory reserve	Precious metal and foreign currency revaluation reserve	Revaluation reserve for investments available-for-sale	Retained earnings	Total
KGS'000						
Balance as at 1 January 2013	1 000 000	2 953 496	12 380 422	16 478	782 323	17 132 719
Total comprehensive income						
Profit for the year	-	-	-	-	444 165	444 165
Other comprehensive income						
Net loss on investments available-for-sale	-	-	-	(5 343)	-	(5 343)
Loss on revaluation of assets and liabilities in foreign currencies and precious metals	-	-	(1 914 626)	-	-	(1 914 626)
Net gain on foreign currencies and precious metals transferred to profit or loss	-	-	(258 107)	-	-	(258 107)
Total other comprehensive loss	-	-	(2 172 733)	(5 343)	-	(2 178 076)
Total comprehensive loss/(income) for the year			(2 172 733)	(5 343)	444 165	(1 733 911)
Transactions recorded directly in equity						
Distribution of prior year profit to the state budget	-	-	-	-	(547 626)	(547 626)
Transfer to obligatory reserve	-	234 697	-	-	(234 697)	-
Total		234 697			(782 323)	(547 626)
Balance as at 31 December 2013	1 000 000	3 188 193	10 207 689	11 135	444 165	14 851 182

Asankoioeva Z.M.
Governor

20 March 2014

Bishkek
Kyrgyz Republic

Urgalieva Ch.M.
Chief Accountant

20 March 2014

Bishkek
Kyrgyz Republic

The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the financial statements.

7.7. Notes to the Financial Statements for the year ended 31 December 2013

1 BACKGROUND

(a) Organisation and operations

The National Bank of the Kyrgyz Republic (the “NBKR” or 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 addendums.

The primary role of the NBKR 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; act as an agent of the Government of the Kyrgyz Republic.

The address of the NBKR’s registered office is 101 Umetaliyev Street, Bishkek, Kyrgyz Republic, 720040.

As at 31 December 2013 and 2012 the National Bank has 5 branches and one representative office operating in regions of the Kyrgyz Republic.

As at 31 December 2013 and 2012 the number of the National Bank’s employees is 595 and 577, respectively.

As at 31 December 2013 and 2012 the National Bank controls the Republic Administration of Money Collection State Enterprise. The financial statements of Republic Administration of Money Collection State Enterprise are not consolidated in the financial statements of the National Bank and the impact of this subsidiary is not material.

These financial statements were authorised for issue by the Management Board of the NBKR on 20 March 2014.

(b) Business environment

In recent years, the Kyrgyz Republic has undergone significant political, economic and social changes. As an emerging 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 BASIS OF PREPARATION

(a) Statement of compliance

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.

Precious metals (gold and silver) are revalued based on the market value and the total net unrealised gain from the mark to market of precious metals 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 precious metals 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 last of which was made on 4 July 2012 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) precious metals, 2) financial instruments at fair value through profit or loss 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 Kyrgyz 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.

(d) Use of estimates and judgments

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 judgment or estimate in the preparation of these financial statements.

Related party transactions

In the normal course of business the Bank enters into transactions with its related parties. These transactions are priced predominantly at market rates. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis.

3 SIGNIFICANT ACCOUNTING POLICIES

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

(a) Precious metals

Precious metals comprise gold and other precious metals on deposits with foreign banks and gold bullion in the National bank vaults with a good delivery status. Precious metals in the financial statements are measured at market price which is determined by reference to the London Bullion Market Association AM fixings at the day preceding the reporting date. Gains on revaluation of gold are recorded as other comprehensive income in equity. Losses resulting from revaluation are recognised in the statement profit or loss in the amount exceeding any previously accumulated gains on accounts of other comprehensive income in equity. Realised gains and losses on gold are recorded in the statement 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.

Rates of exchange

The exchange rates used by the National Bank in the preparation of the financial statements as at 31 December 2013 and 2012 are as follows:

	<u>31 December 2013</u>	<u>31 December 2012</u>
- Som/US Dollar	49,2470	47,4012
- Som/Euro	67,7048	62,6573
- Som/Special drawing rights	75,8250	73,0685
- Som/Canadian Dollar	46,4262	47,6421
- Som/Australian Dollar	44,0387	49,2241
- Som/Swiss Franc	55,5010	51,8219
- Som/Great British Pound Sterling	81,3383	76,2998
- Som/troy ounce of gold	59 318,01	78 567,49

(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.

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(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 net receivable position (positive fair value) are reported as assets. All trading derivatives in a net payable position (negative fair value) 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 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.

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(d) Financial instruments, continued

(i) Recognition

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 settlement date.

(ii) Measurement

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 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 a 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 analyses 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

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(d) Financial instruments, continued

(iii) *Fair value measurement principles, continued*

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.

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. 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) *Gains and losses 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;

- 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.

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(d) Financial instruments, continued

(v) *Derecognition, continued*

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.

(vii) *Derivative financial instruments*

Derivative financial instruments include swaps, forwards, futures and options in interest rates, foreign exchanges, precious metals 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.

(viii) *Offsetting*

Financial assets and liabilities of the National Bank are offset and the net amount reported in the statement of financial position 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.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(e) Property and equipment, continued

(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	5 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.

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

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(g) Impairment, continued

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

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. 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

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(g) Impairment, continued

(iv) *Non financial assets, continued*

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.

(j) Taxation

In accordance with legislation of the Kyrgyz Republic, the NBKR 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.

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(k) Income and expense recognition, continued

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) New and revised IFRSs

While preparing the financial statements the National Bank has adopted all of the new and revised standards that are relevant to its operations and effective for annual reporting periods beginning on January 1, 2013. The new standards have not had material effect on the financial statements of the National Bank.

(n) New standards and interpretations not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2013, and are not applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the financial position and performance. The National Bank plans to adopt these pronouncements when they become effective. All the amendments are effective for annual reporting periods beginning on January 1, 2014.

- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2018. The new standard is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The remaining parts of the standard are expected to be issued during 2013. The National Bank recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on National Bank's financial statements. The National Bank does not intend to adopt this standard early.
- Amendments to IAS 32 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application. The Amendments specify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event; and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.
- Amendments to IAS 36 *Impairment of Assets – Recoverable Amount Disclosure for Non-Financial Assets* shorten the list of circumstances under which recoverable value disclosure is required, and establish requirements to disclose the discount rate used in calculating the recoverable amount of impaired assets, if that amount is based on fair value less costs of disposal and determined by the method of the presented value.

3 SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

(n) New standards and interpretations not yet effective, continued

- Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2014.

4 PRECIOUS METALS

	2013 KGS'000	2012 KGS'000
Gold and other precious metals in accounts with foreign banks		
Gold in deposits	4 928 839	6 528 312
Silver in deposits	352	520
	<u>4 929 191</u>	<u>6 528 832</u>
Gold bullion in the National Bank depository	1 955 886	1 192 767
	<u>6 885 077</u>	<u>7 721 599</u>

Gold bullion in vaults represents gold with good delivery status.

As at 31 December 2013 the weight of gold amounts to 83 091,77 ounces in gold deposits, 32 972,88 ounces in gold bullion at the National Bank depository and the weight of silver amounts to 364,07 ounces in silver deposits (2012: weight of gold and silver amounts to 83 091,77 ounces, 15 181,43 ounces and 364,07 ounces, respectively).

Concentration of gold and precious metals in accounts with foreign banks

As at 31 December 2013 the National Bank placed all gold deposits with two banks with rating from AA- to A+ (31 December 2012: one bank with AA- rating).

5 DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2013 KGS'000	2012 KGS'000
Placements with foreign banks and other financial institutions		
Nostro accounts with foreign banks		
- rated AAA	19 478 565	17 098 851
- rated from AA+ to A	3 011 952	1 074 877
- rated from BBB- to BBB+	5 918	5 696
- not rated	44 463	121 256
Total nostro accounts with foreign banks	<u>22 540 898</u>	<u>18 300 680</u>
Term deposits with foreign banks		
- rated from AAA	-	1 612 432
- rated from AA- to AA+	24 977 985	19 223 088
- rated from A- to A+	12 621 183	8 256 910
- not rated	190 391	183 255
Total term deposits with foreign banks	<u>37 789 559</u>	<u>29 275 685</u>
Accounts with the Bank for International Settlements (BIS)		
- BIS Nostro	1 550 098	35 065
- BIS Deposit	2 639 482	997 461
Accounts with the International Monetary Fund	9 752 428	8 834 992
Total due from banks and other financial institutions	<u>74 272 465</u>	<u>57 443 883</u>
Impairment allowance	(190 391)	(183 255)
	<u>74 082 074</u>	<u>57 260 628</u>

5 DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS, CONTINUED

As at 31 December 2013 and 2012 an impaired overdue term deposit denominated in USD of KGS 190 391 thousand and KGS 183 255 thousand placed with the Central Asian Bank of Cooperation and Development was overdue for more than 360 days, and the National Bank created an impairment reserve for the full outstanding amount in 1999 year.

Concentration of due from banks and other financial institutions

As at 31 December 2013 the National Bank has balances with eleven banks and other financial institutions, (2012: 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 2013 is KGS 70 753 593 thousand (2012: KGS 52 247 203 thousand).

Cash and cash equivalents

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

	2013 KGS'000	2012 KGS'000
Nostro accounts with international banks	22 540 898	18 300 680
Nostro accounts with the Bank for International Settlements	1 550 098	35 065
Accounts with the IMF	9 752 428	8 834 992
Cash on hand in foreign currencies	298 577	286 131
Cash and cash equivalents in the statement of cash flows	34 142 001	27 456 868

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

6 LOANS EXTENDED

	2013 KGS'000	2012 KGS'000
Unimpaired loans to resident commercial banks	863 186	815 631
Impaired loans to resident commercial banks	431 344	421 013
	1 294 530	1 236 644
Impairment allowance	(440 399)	(426 116)
Net loans	854 131	810 528

Loan impairment results from one or more events that occurred after the initial recognition of the loan, have an impact on the estimated future cash flows associated with the loan, and that can be reliably estimated. Loans without individual signs of impairment do not have objective evidence of impairment that can be directly attributed to them.

The objective indicators of loan impairment include the following:

- overdue payments under the loan agreement;
- significant difficulties in the financial conditions of the borrower;
- deterioration in business environment, negative changes in the borrower's markets.

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.

6 LOANS EXTENDED, CONTINUED

As at 31 December 2013 and 2012 impaired loans represent loans to resident commercial banks, which are under special administration since 1999 and are all overdue more than 360 days. The National Bank recognised 100% impairment allowance in respect of these loans and as at 31 December 2013 and 2012 the impairment allowance amounted to KGS 431 344 thousand and KGS 421 013 thousand, respectively. Movements in the impairment allowance are disclosed in Note 19.

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, excluding the effect of overcollateralisation.

	2013 KGS'000	% of unimpaired loan portfolio	2012 KGS'000	% of unimpaired loan portfolio
Government securities	411 624	48	520 991	64
Loans to customers	433 664	50	269 523	33
Real estate	17 898	2	25 117	3
	863 186	100	815 631	100

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 2013 and 2012, the Bank does not have loans to commercial banks, whose balances exceed 10% of equity.

7 INVESTMENTS AVAILABLE-FOR-SALE

	2013 KGS'000	2012 KGS'000
Debt instruments		
Government bonds		
Australian Government Treasury bills	14 569 143	14 776 099
British Government Treasury bills	2 468 779	701 768
Canadian Government Treasury bills	2 324 167	2 376 213
French Government Treasury bills	2 311 341	654 431
German Government Treasury bills	-	308 406
Total government bonds	21 673 430	18 816 917
Debt securities of international governmental and non-governmental financial institutions		
- rated AAA	7 191 177	13 737 782
Total debt instruments	28 864 607	32 554 699

None of investments available-for-sale are impaired or past due.

8 INVESTMENTS HELD-TO-MATURITY

	2013 KGS'000	2012 KGS'000
Held by the National bank		
Treasury bills of the Ministry of Finance of the Kyrgyz Republic	755 502	1 379 590
Pledged under sale and repurchase agreements		
Treasury bills of the Ministry of Finance of the Kyrgyz Republic	756 049	931 657
	1 511 551	2 311 247

As at 31 December 2013 debt securities held to maturity with an amortised cost of KGS 756 049 thousand (2012: KGS 931 657 thousand) were pledged under sale and repurchase agreements with two commercial banks (2012: three commercial banks) for periods not exceeding six months.

None of investments held-to-maturity are impaired or past due.

During the year ended 31 December 2013 redemption of Treasury bills of the Ministry of Finance of the Kyrgyz Republic classified as held-to-maturity investments of KGS 100 000 thousand (2012: KGS 718 100 thousand) were settled through offset against balances due to the Government of the Kyrgyz Republic.

9 PROPERTY AND EQUIPMENT

KGS'000	Land, buildings and constructions	Furniture and equipment	Computer equipment	Motor vehicles	Construction in progress/ equipment not yet installed	Total
Cost						
Balance at 1 January 2013	537 457	130 168	73 308	32 557	408 428	1 181 918
Additions	8 776	26 095	72 797	2 529	66 339	176 536
Disposals	(10 150)	(24 145)	(19 819)	(17 425)	(38)	(71 577)
Transfers	8 167	2 299	19 672	-	(74 183)	(44 045)
Balance at 31 December 2013	544 250	134 417	145 958	17 661	400 546	1 242 832
Depreciation and impairment losses						
Balance at 1 January 2013	(58 910)	(59 172)	(40 443)	(20 475)	-	(179 000)
Depreciation for the year	(13 314)	(26 449)	(17 725)	(4 007)	-	(61 495)
Disposals	1 323	24 138	19 819	17 425	-	62 705
Balance at 31 December 2013	(70 901)	(61 483)	(38 349)	(7 057)	-	(177 790)
Carrying amount						
At 31 December 2013	473 349	72 934	107 609	10 604	400 546	1 065 042

9 PROPERTY AND EQUIPMENT, CONTINUED

KGS'000	Land, buildings and constructions	Furniture and equipment	Computer equipment	Motor vehicles	Construction in progress/ equipment not yet installed	Total
Cost						
Balance at 1 January 2012	202 654	123 885	84 846	20 572	295 663	727 620
Additions	295 835	19 172	18 535	12 483	157 645	503 670
Disposals	(251)	(18 035)	(30 526)	(498)	(62)	(49 372)
Transfers	39 219	5 146	453	-	(44 818)	-
At 31 December 2012	537 457	130 168	73 308	32 557	408 428	1 181 918
Depreciation and impairment losses						
Balance at 1 January 2012	(49 715)	(52 436)	(55 182)	(14 019)	-	(171 352)
Depreciation for the year	(9 403)	(24 722)	(15 379)	(6 953)	-	(56 457)
Disposals	208	17 986	30 118	497	-	48 809
Balance at 31 December 2012	(58 910)	(59 172)	(40 443)	(20 475)	-	(179 000)
Carrying amount						
At 31 December 2012	478 547	70 996	32 865	12 082	408 428	1 002 918

There are no capitalised borrowing costs related to the acquisition or construction of plant and equipment during 2013 and 2012.

10 OTHER ASSETS

	2013 KGS'000	2012 KGS'000
Cash on hand in foreign currencies	298 577	286 131
Other receivables	246 006	202 649
Impairment allowance	(35 349)	(37 819)
Total other financial assets	509 234	450 961
Inventories	674 781	517 842
Other investments	61 005	61 005
Prepayments	69 725	50 881
Other assets	21 889	24 765
Total other non-financial assets	827 400	654 493
	1 336 634	1 105 454

Movements in impairment allowance on other assets for the years ending 31 December 2013 and 2012 are disclosed in Note 19.

11 BANKNOTES AND COINS IN CIRCULATION

As at 31 December 2013 and 2012 banknotes and coins in circulation comprise:

	2013 KGS'000	2012 KGS'000
Banknotes and coins in circulation	68 931 212	59 890 751
Less banknotes and coins on hand and in vaults	(1 977 058)	(1 638 583)
	66 954 154	58 252 168

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.

12 DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2013 KGS'000	2012 KGS'000
Current accounts of commercial banks	6 692 487	7 364 794
Current accounts of other financial institutions	14 665	1 945
	6 707 152	7 366 739

As at 31 December 2013 and 2012 the National Bank has no banks whose balances exceed 10% of equity.

13 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 (the “MFKR”).

	2013 KGS'000	2012 KGS'000
In national currency	7 942 026	2 360 717
In foreign currency	483 664	2 831 693
	8 425 690	5 192 410

14 DEBT SECURITIES ISSUED

As at 31 December 2013 debt securities issued (notes of the National Bank) comprise the following issues:

Emissions	Carrying amount KGS'000	Issue date	Maturity date	Effective interest rate
BD004140101	535 937	4-Dec-13	1-Jan-14	4,38%
BD004140108	999 075	11- Dec -13	8- Jan -14	4,32%
BD004140115	1 297 754	18- Dec -13	15- Jan -14	4,30%
BD002140108	299 780	25- Dec -13	8- Jan -14	3,41%
BD004140122	1 496 201	25- Dec -13	22- Jan -14	4,30%
BD001140107	1 199 508	31- Dec -13	7- Jan -14	2,16%
BD004140128	806 382	31- Dec -13	28- Jan -14	4,32%
	6 634 637			

As at 31 December 2012 debt securities issued (notes of the National Bank) comprise the following issues:

Emissions	Carrying amount KGS'000	Issue date	Maturity date	Effective interest rate
BD004130102	499 925	5-Dec-12	2-Jan-13	2,76%
BD004130109	438 730	12- Dec -12	9- Jan -13	2,52%
BD004130116	699 167	19- Dec -12	16- Jan -13	2,76%
BD004130123	798 618	26- Dec -12	23- Jan -13	2,78%
BD002130109	114 937	26- Dec -12	9- Jan -13	2,23%
BD002130114	275 728	31- Dec -12	14- Jan -13	2,61%
BD001130108	219 798	31- Dec -12	8- Jan -13	4,28%
	3 046 903			

15 LOANS RECEIVED

	2013 KGS'000	2012 KGS'000
Loans received from the International Monetary Fund (the “IMF”)	3 970 121	4 655 633
Loans received from the MFKR	59 722	97 198
	4 029 843	4 752 831

15 LOANS RECEIVED, CONTINUED

As at 31 December 2013 and 2012 terms and conditions of loans received are as follows:

Issuer	CCY	Interest rate	Issue date	Maturity date	2013 KGS'000	2012 KGS'000
IMF, PRGF	SDR	0%	19-Dec-01	31-May-18	1 445 148	2 222 452
IMF, ESF	SDR	0%	24-Dec-08	7-Jun-19	2 524 973	2 433 181
MFKR	USD	1,50%	19-Oct-04	15-Jul-16	59 722	97 198
					4 029 843	4 752 831

Borrowings in relation to the Poverty Reduction and Growth Facility (“PRGF”) are denominated in SDR and are part of the IMF poverty reduction program. The aims of the loans are support of 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 21 December 2012 IMF prolonged 0% interest rate till 2014 year. Conditions of PRGF credits are standard for all credit receivers. Under the PRGF borrowings, the National Bank has accepted certain obligations and requirements to meet specific performance criteria and to complete structural reforms in fiscal policy.

Borrowing in relation to the Exogenous Shocks Facility (“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 21 December 2012 IMF prolonged 0% interest rate till 2014 year. This condition was declared for all recipients of ESF credits around the globe. Under the ESF borrowing, the National Bank of the Kyrgyz Republic has accepted certain obligations and requirements to meet specific performance criteria and to complete certain structural reforms.

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 2013 and 2012 the National Bank has not had any defaults of principal, interest or other breaches with respect to its liabilities.

16 LIABILITIES TO THE IMF IN RESPECT OF SDR ALLOCATIONS

	2013 KGS'000	2012 KGS'000
Liabilities to the IMF in respect of SDR allocations	6 426 299	6 192 312

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 providing 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 25). 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 the amount of SDR 84 737 thousand. In 2013 and 2012 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.

17 CHARTER CAPITAL

Issued capital

As at 31 December 2013 and 31 December 2012 charter 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 charter 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 thereof.

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 10 April 2013 the net profit earned for 2012 and distributable to the state budget of the Kyrgyz Republic was approved in the amount of KGS 547 626 thousand (2012: KGS 1 575 770 thousand), and KGS 234 697 thousand (2012: KGS 675 331 thousand) was transferred to the obligatory reserve.

Profit for the year 2013, which will be distributed to the state budget of the Kyrgyz Republic amounts to KGS 310 915 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.

18 NET INTEREST INCOME

	2013 KGS'000	2012 KGS'000
Interest income		
Investments available-for-sale	479 750	543 029
Due from banks and other financial institutions	368 880	307 376
Investments held-to-maturity	102 374	210 815
Loans extended	62 206	84 345
Other	4 909	15 931
	1 018 119	1 161 496
Interest expense		
Debt securities issued	(109 222)	(138 126)
Due to the Government of the Kyrgyz Republic	(45 547)	(126 873)
Amounts payable under agreement of sale and repurchase of securities	(10 735)	(61 685)
Liabilities to the IMF in respect of SDR allocations	(4 998)	(6 443)
Other	(1 848)	(4 224)
	(172 350)	(337 351)
	845 769	824 145

No interest income was accrued on impaired assets (2012: nil).

19 ALLOWANCES FOR IMPAIRMENT

	Due from banks and other financial institutions KGS'000	Loans extended KGS'000	Other assets KGS'000	Total KGS'000
31 December 2011	233 738	424 850	38 318	696 906
Net recovery	(54 027)	(4 663)	(499)	(59 189)
Effect of foreign currency translation	3 544	5 929	-	9 473
31 December 2012	183 255	426 116	37 819	647 190
Net recovery	-	(12 093)	(2 470)	(14 563)
Net recovery of previously written-off assets	-	14 461	-	14 461
Effect of foreign currency translation	7 136	11 915	-	19 051
31 December 2013	190 391	440 399	35 349	666 139

20 NET GAIN ON PRECIOUS METALS AND FOREIGN CURRENCIES OPERATIONS

	2013 KGS'000	2012 KGS'000
Realised gain from operations with foreign currencies and precious metals	258 107	462 131
Income from spot transactions	61 935	70 528
	320 042	532 659

21 ADMINISTRATIVE EXPENSES

	2013 KGS'000	2012 KGS'000
Personnel expenses		
Employee compensation	292 084	273 668
Payments to the Social fund	49 914	46 849
	341 998	320 517
Depreciation and amortization	68 941	57 800
Repairs and maintenance	45 929	43 883
Security	28 744	27 957
Communications and information services	13 444	9 179
Staff training	9 609	11 230
Professional services	6 635	9 355
Publication and subscription	6 181	6 127
Travel expenses	6 056	4 606
Expenses for social and cultural events	4 857	6 127
Office supplies and stationery	4 000	4 522
Other	16 020	12 648
	552 414	513 951

22 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, these activities do not constitute separate operating segments for the purposes of these financial statements.

23 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 NBKR («the Investment Strategy») approved by the Board on 21 December 2012, the main goals of risk management are safety and liquidity of the NBKR's assets and profitability growth. Operations are conducted within the limitations imposed by this strategy.

23 RISK MANAGEMENT, CONTINUED

(a) Risk management policies and procedures, continued

In accordance with these goals gold and foreign currency assets of the NBKR 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.

23 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
KGS'000							
31 December 2013							
ASSETS							
Precious metals	4 928 839	-	-	-	-	352	4 929 191
Due from banks and other financial institutions	52 826 916	20 031 534	-	-	-	1 223 624	74 082 074
Loans extended	154 822	360 648	97 410	238 340	2 911	-	854 131
Investments available-for-sale	2 970 746	4 989 365	6 302 468	14 602 028	-	-	28 864 607
Investments held-to-maturity	4 481	1 980	59 680	500 768	188 593	-	755 502
Investments held-to-maturity, pledged under repurchase agreements	6 049	-	-	750 000	-	-	756 049
	60 891 853	25 383 527	6 459 558	16 091 136	191 504	1 223 976	110 241 554
LIABILITIES							
Due to Government of the Kyrgyz Republic	8 425 690	-	-	-	-	-	8 425 690
Amounts payable under agreements of sale and repurchase of securities	585 744	-	-	-	-	-	585 744
Debt securities issued	6 634 637	-	-	-	-	-	6 634 637
Loans received	253 708	251 360	550 951	2 847 576	126 248	-	4 029 843
Liabilities to the IMF in respect of SDR allocations	6 426 299	-	-	-	-	-	6 426 299
	22 326 078	251 360	550 951	2 847 576	126 248	-	26 102 213
	38 565 775	25 132 167	5 908 607	13 243 560	65 256	1 223 976	84 139 341

23 RISK MANAGEMENT, CONTINUED

(b) Market risk, continued

(i) Interest rate risk, continued

Interest rate gap analysis, continued

KGGS'000	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	No interest	Carrying amount
31 December 2012							
ASSETS							
Precious metals	6 528 312	-	-	-	-	520	6 528 832
Due from banks and other financial institutions	40 227 509	13 282 348	-	-	-	3 750 771	57 260 628
Loans extended	91 554	106 357	134 063	473 444	5 110	-	810 528
Investments available-for-sale	14 062 894	6 696 115	3 118 362	8 677 328	-	-	32 554 699
Investments held-to-maturity	338 399	9 150	58 897	722 821	250 323	-	1 379 590
Investments held-to-maturity, pledged under repurchase agreements	304 977	100 812	-	525 868	-	-	931 657
	61 553 645	20 194 782	3 311 322	10 399 461	255 433	3 751 291	99 465 934
LIABILITIES							
Due to Government of the Kyrgyz Republic	5 192 410	-	-	-	-	-	5 192 410
Amounts payable under agreements of sale and repurchase of securities	796 711	-	-	-	-	-	796 711
Debt securities issued	3 046 903	-	-	-	-	-	3 046 903
Loans received	25 930	-	18 106	4 708 795	-	-	4 752 831
Liabilities to the IMF in respect of SDR allocations	6 192 312	-	-	-	-	-	6 192 312
	15 254 266	-	18 106	4 708 795	-	-	19 981 167
	46 299 379	20 194 782	3 293 216	5 690 666	255 433	3 751 291	79 484 767

23 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 2013 and 2012. These interest rates are an estimation of the yields to maturity of these assets and liabilities.

	2013 Weighted average effective interest rate, %	2012 Weighted average effective interest rate, %
Interest bearing assets		
Gold		
<i>Gold in accounts with foreign banks</i>	0.20	0.01
Due from banks and other financial institutions		
<i>Nostro accounts</i>		
- USD	0.01	0.17
- EUR	0.17	0.03
- CAD	0.67	0.79
- AUD	1.75	2.25
- GBP	0.08	0.30
- CNH	0.55	-
- NOK	1.20	-
- SEK	0.58	-
<i>Term deposits</i>		
- USD	0.27	0.42
- EUR	0.21	0.16
- CAD	1.08	1.21
- GBP	0.49	0.44
- AUD	2.64	3.25
- RUB	6.27	5.99
- CNH	1.96	2.92
- NOK	1.57	-
- SEK	1.18	-
Investments available-for-sale		
- EUR	0.14	0.23
- USD	0.19	0.12
- AUD	2.57	2.91
- CAD	0.88	0.89
- GBP	0.44	0.33
Loans extended		
- KGS	6.68	7.70
Investments held-to-maturity, including investments held-to-maturity, pledged under repurchase agreements		
- KGS	5.87	6.86
Interest bearing liabilities		
Due to the Government of the Kyrgyz Republic		
- KGS	-	2.64
- USD	-	0.25
- EUR	-	0.75
Amounts payable under agreements of sale and repurchase of securities	4.19	2.64
Debt securities issued		
- KGS	3.88	2.81
Loans received		
- USD	1.50	1.50
Liabilities to the IMF in respect of SDR allocations	0.13	0.03

23 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 2013 and 2012 is as follows:

	2013 KGS'000	2012 KGS'000
Параллельный сдвиг на 20 базисных пунктов в сторону уменьшения ставок	(101 528)	(92 937)
Параллельный сдвиг на 20 базисных пунктов в сторону увеличения ставок	101 528	92 937

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 2013 and 2012 and a simplified scenario of a 20 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

	2013		2012	
	Profit or loss KGS'000	Equity KGS'000	Profit or loss KGS'000	Equity KGS'000
20 bp parallel rise	-	(52 415)	-	(34 170)
20 bp parallel fall	-	55 295	-	34 301

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.

23 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 2013 is presented in the table below:

KGS'000 ASSETS	KGS	Gold	USD	EUR	CAD	AUD	SDR	NOK	GBP	CNH	Other	Total
Precious metals	-	4 928 839	-	-	-	-	-	-	-	-	352	4 929 191
Due from banks and other financial institutions	-	-	29 334 807	10 469 340	8 607 174	1 772 713	9 752 429	4 833 121	1 563 742	3 838 632	3 910 116	74 082 074
Loans extended	854 131	-	-	-	-	-	-	-	-	-	-	854 131
Investments available-for-sale	-	-	1 233 179	4 509 229	3 252 713	15 012 135	--	-	4 857 351	-	-	28 864 607
Investments held-to-maturity	755 502	-	-	-	-	-	-	-	-	-	-	755 502
Investments held-to-maturity, pledged under repurchase agreements	756 049	-	-	-	-	-	-	-	-	-	-	756 049
Other financial assets	210 657	-	264 724	33 853	-	-	-	-	-	-	-	509 234
Total assets	2 576 339	4 928 839	30 832 710	15 012 422	11 859 887	16 784 848	9 752 429	4 833 121	6 421 093	3 838 632	3 910 468	110 750 788
LIABILITIES												
Banknotes and coins in circulation	66 954 154	-	-	-	-	-	-	-	-	-	-	66 954 154
Due to banks and other financial institutions	6 199 908	-	507 244	-	-	-	-	-	-	-	-	6 707 152
Due to the Government of the Kyrgyz Republic	7 942 026	-	3 880	479 784	-	-	-	-	-	-	-	8 425 690
Amounts payable under agreements of sale and repurchase of securities	585 744	-	-	-	-	-	-	-	-	-	-	585 744
Debt securities issued	6 634 637	-	-	-	-	-	-	-	-	-	-	6 634 637
Loans received	-	-	59 722	-	-	-	3 970 121	-	-	-	-	4 029 843
Liabilities to the IMF in respect of SDR allocations	-	-	-	-	-	-	6 426 299	-	-	-	-	6 426 299
Other financial liabilities	25 502	-	-	-	-	-	-	-	-	-	-	25 502
Total liabilities	88 341 971	-	570 846	479 784	-	-	10 396 420	-	-	-	-	99 789 021
Net balance sheet and off balance sheet positions	(85 765 632)	4 928 839	30 261 864	14 532 638	11 859 887	16 784 848	(643 991)	4 833 121	6 421 093	3 838 632	3 910 468	10 961 767

23 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 2012 is presented in the table below:

	KGS	Gold	USD	EUR	CAD	AUD	SDR	NOK	GBP	CNH	Other	Total
ASSETS												
Precious metals	-	6 528 312	-	-	-	-	-	-	-	-	520	6 528 832
Due from banks and other financial institutions	-	-	23 120 618	10 148 946	6 031 818	337 557	8 834 992	-	3 065 036	561 820	5 159 841	57 260 628
Loans extended	810 528	-	-	-	-	-	-	-	-	-	-	810 528
Investments available-for-sale	-	-	4 982 066	3 484 916	5 055 567	16 090 690	-	-	2 941 460	-	-	32 554 699
Investments held-to-maturity	1 379 590	-	-	-	-	-	-	-	-	-	-	1 379 590
Investments held-to-maturity, pledged under repurchase agreements	931 657	-	-	-	-	-	-	-	-	-	-	931 657
Other financial assets	164 830	-	254 802	31 329	-	-	-	-	-	-	-	450 961
Total assets	3 286 605	6 528 312	28 357 486	13 665 191	11 087 385	16 428 247	8 834 992	-	6 006 496	561 820	5 160 361	99 916 895
LIABILITIES												
Banknotes and coins in circulation	58 252 168	-	-	-	-	-	-	-	-	-	-	58 252 168
Due to banks and other financial institutions	6 238 590	-	1 128 149	-	-	-	-	-	-	-	-	7 366 739
Due to the Government of the Kyrgyz Republic	2 360 718	-	2 467 892	363 800	-	-	-	-	-	-	-	5 192 410
Amounts payable under agreements of sale and repurchase of securities	796 711	-	-	-	-	-	-	-	-	-	-	796 711
Debt securities issued	3 046 903	-	-	-	-	-	-	-	-	-	-	3 046 903
Loans received	-	-	97 198	-	-	-	4 655 633	-	-	-	-	4 752 831
Liabilities to the IMF in respect of SDR allocations	-	-	-	-	-	-	6 192 312	-	-	-	-	6 192 312
Other financial liabilities	29 939	-	-	-	-	-	-	-	-	-	-	29 939
Total liabilities	70 725 029	-	3 693 239	363 800	-	-	10 847 945	-	-	-	-	85 630 013
Net balance sheet and off balance sheet positions	(67 438 424)	6 528 312	24 664 247	13 301 391	11 087 385	16 428 247	(2 012 953)	-	6 006 496	561 820	5 160 361	14 286 882

23 RISK MANAGEMENT, CONTINUED

(b) Market risk, continued

(ii) Currency risk, continued

A weakening of KGS, as indicated in the table below, against following currencies as at 31 December 2013 and 2012 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.

	2013		2012	
	Profit or loss	Equity	Profit or loss	Equity
	KGS'000	KGS'000	KGS'000	KGS'000
10% appreciation of USD against KGS	-	3 026 186	-	2 466 425
10% appreciation of EUR against KGS	-	1 453 264	-	1 330 139
10% appreciation of SDR against KGS	-	(64 399)	-	(201 295)
10% appreciation of CAD against KGS	-	1 185 989	-	1 108 739
10% appreciation of AUD against KGS	-	1 678 485	-	1 642 825
10% appreciation of CHF against KGS	-	59 858	-	253 088
10% appreciation of GBP against KGS	-	642 109	-	600 650

A strengthening of the KGS against the above currencies at 31 December 2013 and 31 December 2012 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 2013 and 2012 the National Bank was exposed to price risk of gold and other precious metals in accounts with foreign banks.

An increase or decrease in prices in KGS equivalent of the following precious metals, as indicated below, at 31 December 2013 and 2012 would have increased or decreased equity and other comprehensive income by the amounts shown below. This analysis is based on precious metal 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.

23 RISK MANAGEMENT, CONTINUED

(b) Market risk, continued

(iii) Other price risk, continued

	31 December 2013		31 December 2012	
	Profit or loss	Comprehensive income and equity	Profit or loss	Comprehensive income and equity
KGS'000				
10% appreciation of gold prices in KGS equivalent	-	498 884	-	652 831
10% depreciation of gold prices in KGS equivalent	-	(498 884)	-	(652 831)
10% appreciation of silver prices in KGS equivalent	-	35	-	52
10% depreciation of silver prices in KGS equivalent	-	(35)	-	(52)

(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 develop 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.

23 RISK MANAGEMENT, CONTINUED

(c) Credit risk, continued

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.

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:

	2013	2012
	KGS'000	KGS'000
ASSETS		
Precious metals	4 929 191	6 528 832
Due from banks and other financial institutions	74 082 074	57 260 628
Loans extended	854 131	810 528
Investments available-for-sale, except equity investments	28 864 607	32 554 699
Investments held-to-maturity	755 502	1 379 590
Investments held-to-maturity, pledged under repurchase agreements	756 049	931 657
Other financial assets	509 234	450 961
Total maximum exposure	110 750 788	99 916 895

23 RISK MANAGEMENT, CONTINUED

(c) Credit risk, continued

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 2013:

KGS'000	Kyrgyz Republic	OECD countries	Non-OECD countries	International financial institutions	31 December 2013 Total
ASSETS					
Precious metals	-	4 929 191	-	-	4 929 191
Due from banks and other financial institutions	-	51 624 706	8 515 360	13 942 008	74 082 074
Loans extended	854 131	-	-	-	854 131
Investments available-for-sale	-	21 673 430	7 191 177	-	28 864 607
Investments held-to-maturity	755 502	-	-	-	755 502
Investments held-to-maturity, pledged under repurchase agreements	756 049	-	-	-	756 049
Other financial assets	509 234	-	-	-	509 234
Total assets	2 874 916	78 227 327	15 706 537	13 942 008	110 750 788
LIABILITIES					
Banknotes and coins in circulation	66 954 154	-	-	-	66 954 154
Due to banks and other financial institutions	6 692 503	-	-	14 649	6 707 152
Due to the Government of the Kyrgyz Republic	8 425 690	-	-	-	8 425 690
Amounts payable under agreements of sale and repurchase of securities	585 744	-	-	-	585 744
Debt securities issued	6 634 637	-	-	-	6 634 637
Loans received	59 722	-	-	3 970 121	4 029 843
Liabilities to the IMF in respect of SDR allocations	-	-	-	6 426 299	6 426 299
Other financial liabilities	25 502	-	-	-	25 502
Total liabilities	89 377 952	-	-	10 411 069	99 789 021
Net balance sheet position	(86 503 036)	78 227 327	15 706 537	3 530 939	10 961 767

23 RISK MANAGEMENT, CONTINUED

(c) Credit risk, continued

Geographical concentrations, continued

The following table shows the geographical concentration of assets and liabilities at 31 December 2012:

KGS'000	Kyrgyz Republic	OECD countries	Non-OECD countries	International financial institutions	31 December 2013 Total
ASSETS					
Precious metals	-	6 528 832	-	-	6 528 832
Due from banks and other financial institutions	-	39 895 063	7 498 047	9 867 518	57 260 628
Loans extended	810 528	-	-	-	810 528
Investments available-for-sale	-	18 816 917	-	13 737 782	32 554 699
Investments held-to-maturity	1 379 590	-	-	-	1 379 590
Investments held-to-maturity, pledged under repurchase agreements	931 657	-	-	-	931 657
Other financial assets	450 961	-	-	-	450 961
Total assets	3 572 736	65 240 812	7 498 047	23 605 300	99 916 895
LIABILITIES					
Banknotes and coins in circulation	58 252 168	-	-	-	58 252 168
Due to banks and other financial institutions	7 364 951	-	-	1 788	7 366 739
Due to the Government of the Kyrgyz Republic	5 192 410	-	-	-	5 192 410
Amounts payable under agreements of sale and repurchase of securities	796 711	-	-	-	796 711
Debt securities issued	3 046 903	-	-	-	3 046 903
Loans received	97 198	-	-	4 655 633	4 752 831
Liabilities to the IMF in respect of SDR allocations	-	-	-	6 192 312	6 192 312
Other financial liabilities	29 939	-	-	-	29 939
Total liabilities	74 780 280	-	-	10 849 733	85 630 013
Net balance sheet position	(71 207 544)	65 240 812	7 498 047	12 755 567	14 286 882

23 RISK MANAGEMENT, CONTINUED

(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 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.

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.

23 RISK MANAGEMENT, CONTINUED**(d) Liquidity risk, continued**

The maturity analysis for financial liabilities as at 31 December 2013 is as follows:

KGS'000	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 gross amount outflow/ (inflow)	Carrying amount
Non-derivative liabilities							
Due to banks and other financial institutions	6 707 152	-	-	-	-	6 707 152	6 707 152
Due to the Government of the Kyrgyz Republic	8 425 690	-	-	-	-	8 425 690	8 425 690
Amounts payable under agreements of sale and repurchase of securities	586 279	-	-	-	-	586 279	585 744
Debt securities issued	6 645 000	-	-	-	-	6 645 000	6 634 637
Loans received	171 697	82 043	251 360	551 200	2 983 919	4 040 219	4 029 843
Liabilities to the IMF in respect of SDR allocations	6 425 183	1 116	-	-	-	6 426 299	6 426 299
Other financial liabilities	10 498	478	2 471	12 055	-	25 502	25 502
Total liabilities	28 971 499	83 637	253 831	563 255	2 983 919	32 856 141	32 834 867

The maturity analysis for financial liabilities as at 31 December 2012 is as follows:

KGS'000	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 gross amount outflow/ (inflow)	Carrying amount
Non-derivative liabilities							
Due to banks and other financial institutions	7 366 739	-	-	-	-	7 366 739	7 366 739
Due to the Government of the Kyrgyz Republic	5 192 410	-	-	-	-	5 192 410	5 192 410
Amounts payable under agreements of sale and repurchase of securities	797 735	-	-	-	-	797 735	796 711
Debt securities issued	3 050 000	-	-	-	-	3 050 000	3 046 903
Loans received	235 560	164 696	46 398	427 986	3 895 925	4 770 565	4 752 831
Liabilities to the IMF in respect of SDR allocations	6 191 605	707	-	-	-	6 192 312	6 192 312
Other financial liabilities	25 712	1 568	2 659	-	-	29 939	29 939
Total liabilities	22 859 761	166 971	49 057	427 986	3 895 925	27 399 700	27 377 845

The tables above show the undiscounted cash flows of non-derivative financial liabilities.

23 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 2013:

	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
KGS'000							
ASSETS							
Precious metals	2 076 537	2 852 654	-	-	-	-	4 929 191
Due from banks and other financial institutions	39 499 417	14 551 123	20 031 534	-	-	-	74 082 074
Loans extended	13 380	141 442	458 058	238 340	2 911	-	854 131
Investments available-for-sale	879 435	2 091 311	11 291 833	14 602 028	-	-	28 864 607
Investments held-to-maturity	4 269	212	61 660	500 768	188 593	-	755 502
Investments held-to-maturity, pledged under repurchase agreements	5 413	636	-	750 000	-	-	756 049
Other financial assets	302 631	2 859	13 831	71 019	118 894	-	509 234
	42 781 082	19 640 237	31 856 916	16 162 155	310 398	-	110 750 788
LIABILITIES							
Banknotes and coins in circulation	-	-	-	-	-	66 954 154	66 954 154
Due to banks and other financial institutions	6 707 152	-	-	-	-	-	6 707 152
Due to the Government of the Kyrgyz Republic	8 425 690	-	-	-	-	-	8 425 690
Amounts payable under agreements of sale and repurchase of securities	585 744	-	-	-	-	-	585 744
Debt securities issued	6 634 637	-	-	-	-	-	6 634 637
Loans received	171 665	82 043	802 311	2 847 576	126 248	-	4 029 843
Liabilities to the IMF in respect of SDR allocations	6 425 183	1 116	-	-	-	-	6 426 299
Other financial liabilities	10 498	478	14 526	-	-	-	25 502
	28 960 569	83 637	816 837	2 847 576	126 248	66 954 154	99 789 021
Net position	13 820 513	19 556 600	31 040 079	13 314 579	184 150	(66 954 154)	10 961 767

23 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 2012:

KGS'000	Demand and less than					Total
	1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	
ASSETS						
Precious metals	1 179 032	5 349 800	-	-	-	6 528 832
Due from banks and other financial institutions	33 622 356	10 355 924	13 282 348	-	-	57 260 628
Loans extended	39 114	52 440	240 420	473 444	5 110	810 528
Investments available-for-sale	9 025 017	5 037 877	9 814 477	8 677 328	-	32 554 699
Investments held-to-maturity	12 002	326 397	68 047	722 821	250 323	1 379 590
Investments held-to-maturity, pledged under repurchase agreements	-	304 977	100 812	525 868	-	931 657
Other financial assets	289 481	2 388	9 491	50 171	99 430	450 961
	44 167 002	21 429 803	23 515 595	10 449 632	354 863	99 916 895
LIABILITIES						
Banknotes and coins in circulation	-	-	-	-	-	58 252 168
Due to banks and other financial institutions	7 366 739	-	-	-	-	7 366 739
Due to the Government of the Kyrgyz Republic	5 192 410	-	-	-	-	5 192 410
Amounts payable under agreements of sale and repurchase of securities	796 711	-	-	-	-	796 711
Debt securities issued	3 046 903	-	-	-	-	3 046 903
Loans received	235 491	164 696	473 688	3 196 496	682 460	4 752 831
Liabilities to the IMF in respect of SDR allocations	6 191 605	707	-	-	-	6 192 312
Other financial liabilities	25 712	1 568	2 659	-	-	29 939
	22 855 571	166 971	476 347	3 196 496	682 460	85 630 013
Net position	21 311 431	21 262 832	23 039 248	7 253 136	(327 597)	14 286 882

24 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.

25 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 2013 and 2012 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 Government of the Kyrgyz Republic.

25 AGENCY FUNCTIONS, CONTINUED

Membership quota of the Kyrgyz Republic in the International Monetary Fund (the “IMF”), continued

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:

	2013 KGS’000	2012 KGS’000
IMF membership quota	6 746 644	6 469 286
Securities in favour of the IMF	6 729 398	6 452 749
IMF current accounts	17 246	16 537
	6 746 644	6 469 286

IMF loans issued to the Ministry of Finance of the Kyrgyz Republic

On 9 May and 11 December 2012 the IMF provided loans to the Ministry of Finance of the Kyrgyz Republic amounting to SDR 19 028 thousand for supporting the state budget. On 21 June and 12 December 2013 IMF provided loans to the Ministry of Finance of the Kyrgyz Republic amounting to SDR 19 028 for the same aims. 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 2013 the outstanding balance of this loan amounted to KGS 6 011 709 thousand (2012: KGS 4 402 816 thousand).

26 RELATED PARTY TRANSACTIONS

(a) Control relationships

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.

(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 2013 and 2012 comprised KGS 12 022 thousand and KGS 10 576 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 2013 and 2012 comprised KGS 11 979 thousand and KGS 7 425 thousand, respectively. The loans are in KGS and repayable by 2026. Interest income from loans to the Management Board for the years ended 31 December 2013 and 2012 comprised KGS 277 thousand and KGS 383 thousand respectively.

26 RELATED PARTY TRANSACTIONS, CONTINUED

(c) Transactions with other related parties

The outstanding balances and the related average interest rates as at 31 December 2013 and related income statement amounts of transactions for the year ended 31 December 2013 with the Ministry of Finance and other related parties are as follows:

	The Ministry of Finance of the Kyrgyz Republic		Non-consolidated subsidiaries		Total KGS'000
	KGS'000	Average interest rate, %	KGS'000	Average interest rate, %	
Statement of Financial Position					
ASSETS					
Investments held-to-maturity	1 511 551	4,94	-	-	1 511 551
LIABILITIES					
Due to the Government of the Kyrgyz Republic	8 425 690	-	-	-	8 425 690
Loans received	59 722	1,50	-	-	59 722
Statement of profit or loss					
Interest income	102 374	-	-	-	102 374
Other income	15	-	22 411	-	22 426
Interest expense	46 508	-	-	-	46 508
Other expense	-	-	205	-	205

The outstanding balances and the related average interest rates as at 31 December 2012 and related income statement amounts of transactions for the year ended 31 December 2012 with the Ministry of Finance and other related parties are as follows:

	The Ministry of Finance of the Kyrgyz Republic		Non-consolidated subsidiaries		Total KGS'000
	KGS'000	Average interest rate, %	KGS'000	Average interest rate, %	
Statement of Financial Position					
ASSETS					
Investments held-to-maturity	2 311 247	6,86	-	-	2 311 247
LIABILITIES					
Due to the Government of the Kyrgyz Republic	5 192 410	1,37	-	-	5 192 410
Loans received	97 198	1,50	-	-	97 198
Statement of profit or loss					
Interest income	210 815	-	-	-	210 815
Other income	13	-	29 236	-	29 249
Interest expense	128 498	-	-	-	128 498
Other expense	-	-	254	-	254

27 FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS

(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 2013:

KGS'000	Held-to-maturity	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Due from banks and other financial institutions	-	74 082 074	-	-	74 082 074	74 082 074
Loans extended	-	854 131	-	-	854 131	854 131
Investments available-for-sale	-	-	28 864 607	-	28 864 607	28 864 607
Investments held-to-maturity	755 502	-	-	-	755 502	755 502
Investments held-to-maturity, pledged under repurchase agreements	756 049	-	-	-	756 049	756 049
Other financial assets	-	509 234	-	-	509 234	509 234
	1 511 551	75 445 439	28 864 607	-	105 821 597	105 821 597
Banknotes and coins in circulation	-	-	-	66 954 154	66 954 154	66 954 154
Due to banks and other financial institutions	-	-	-	6 707 152	6 707 152	6 707 152
Due to the Government of the Kyrgyz Republic	-	-	-	8 425 690	8 425 690	8 425 690
Amounts payable under agreements of sale and repurchase of securities	-	-	-	585 744	585 744	585 744
Debt securities issued	-	-	-	6 634 637	6 634 637	6 634 637
Loans received	-	-	-	4 029 843	4 029 843	4 029 843
Liabilities to the IMF in respect of SDR allocations	-	-	-	6 426 299	6 426 299	6 426 299
Other financial liabilities	-	-	-	25 502	25 502	25 502
	-	-	-	99 789 021	99 789 021	99 789 021

27 FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS, 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 2012:

KGS'000	Held-to-maturity	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Due from banks and other financial institutions	-	57 260 628	-	-	57 260 628	57 260 628
Loans extended	-	810 528	-	-	810 528	810 528
Investments available-for-sale	-	-	32 554 699	-	32 554 699	32 554 699
Investments held-to-maturity	1 379 590	-	-	-	1 379 590	1 333 229
Investments held-to-maturity, pledged under repurchase agreements	931 657	-	-	-	931 657	931 657
Other financial assets	-	450 961	-	-	450 961	450 961
	2 311 247	58 522 117	32 554 699	-	93 388 063	93 341 702
Banknotes and coins in circulation	-	-	-	58 252 168	58 252 168	58 252 168
Due to banks and other financial institutions	-	-	-	7 366 739	7 366 739	7 366 739
Due to the Government of the Kyrgyz Republic	-	-	-	5 192 410	5 192 410	5 192 410
Amounts payable under agreements of sale and repurchase of securities	-	-	-	796 711	796 711	796 711
Debt securities issued	-	-	-	3 046 903	3 046 903	3 053 969
Loans received	-	-	-	4 752 831	4 752 831	4 752 831
Liabilities to the IMF in respect of SDR allocations	-	-	-	6 192 312	6 192 312	6 192 312
Other financial liabilities	-	-	-	29 939	29 939	29 939
	-	-	-	85 630 013	85 630 013	85 637 079

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

27 FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS, CONTINUED

(b) Fair value hierarchy, continued

(i.e., derived from prices). This category includes instruments valued using: quoted market prices 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 2013, by the level in the fair value hierarchy into which the fair value measurement is categorised:

KGS'000	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
- Debt and other fixed income instruments	28 864 607	-	-	28 864 607
	28 864 607	-	-	28 864 607

В таблице далее приведен анализ финансовых инструментов, отражаемых по справедливой стоимости по состоянию на 31 декабря 2012 года, в разрезе уровней иерархии справедливой стоимости:

KGS'000	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
- Debt and other fixed income instruments	32 554 699	-	-	32 554 699
	32 554 699	-	-	32 554 699

The table below analyses financial instruments not measured at fair value at 31 December 2013, by the level in the fair value hierarchy into which the fair value measurement is categorised:

KGS'000	Level 1	Level 2	Level 3	Total
Due from banks and other financial institutions	-	74 082 074	-	74 082 074
Loans extended	-	854 131	-	854 131
Investments held-to-maturity	-	755 502	-	755 502
Investments held-to-maturity, pledged under repurchase agreements	-	756 049	-	756 049
Other financial assets	-	509 234	-	509 234
Total	-	76 956 990	-	76 956 990
Banknotes and coins in circulation	-	66 954 154	-	66 954 154
Due to banks and other financial institutions	-	6 707 152	-	6 707 152
Due to the Government of the Kyrgyz Republic	-	8 425 690	-	8 425 690
Amounts payable under agreements of sale and repurchase of securities	-	585 744	-	585 744
Debt securities issued	-	6 634 637	-	6 634 637
Loans received	-	4 029 843	-	4 029 843
Liabilities to the IMF in respect of SDR allocations	-	6 426 299	-	6 426 299
Other financial liabilities	-	25 502	-	25 502
Total	-	99 789 021	-	99 789 021
NET VALUE	-	(22 832 031)	-	(22 832 031)

27 FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS, CONTINUED

(b) Fair value hierarchy, continued

The table below analyses financial instruments not measured at fair value at 31 December 2012, by the level in the fair value hierarchy into which the fair value measurement is categorised:

KGS'000	Level 1	Level 2	Level 3	Total
Due from banks and other financial institutions	-	57 260 628	-	57 260 628
Loans extended	-	810 528	-	810 528
Investments held-to-maturity	-	1 379 590	-	1 379 590
Investments held-to-maturity, pledged under repurchase agreements	-	931 657	-	931 657
Other financial assets	-	450 961	-	450 961
Total	-	60 833 364	-	60 833 364
Banknotes and coins in circulation	-	58 252 168	-	58 252 168
Due to banks and other financial institutions	-	7 366 739	-	7 366 739
Due to the Government of the Kyrgyz Republic	-	5 192 410	-	5 192 410
Amounts payable under agreements of sale and repurchase of securities	-	796 711	-	796 711
Debt securities issued	-	3 046 903	-	3 046 903
Loans received	-	4 752 831	-	4 752 831
Liabilities to the IMF in respect of SDR allocations	-	6 192 312	-	6 192 312
Other financial liabilities	-	29 939	-	29 939
Total	-	85 630 013	-	85 630 013
NET VALUE	-	(24 796 650)	-	(24 796 650)

28 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

As at December 31, 2013 and 2012 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.



APPENDICES

Chronology of Major Events in the Monetary Sphere in 2013

Date	Event
December 12, 2012	<p>The Board of the NBKR adopted the following resolutions:</p> <ul style="list-style-type: none"> – “On Main Monetary Policy Guidelines for 2013-2015”; – “On the Statement of the National Bank of the Kyrgyz Republic on the Monetary Policy for 2013”.
January 31	<ul style="list-style-type: none"> • The Board of the NBKR approved the Joint Statement of the Government and the National Bank of the Kyrgyz Republic on Economic Policy for 2013. • The Board of the NBKR adopted a resolution “On Amendments and Addenda to Resolution of the Board of the National Bank of the Kyrgyz Republic of Approval of Regulations “On Licensing Banks Activity”. • Scientific Expert Council of the National Bank held the session to approve the scientific work “Inflation Expectations and Methods of their Study: Theoretical and Empiric Approaches”.
February 1	<ul style="list-style-type: none"> • The Board of the NBKR considered the issue on provision safe intrastate payments in the territory of the Kyrgyz Republic. • OJSC “Financial Company of Credit Unions” approved Development Strategy of OJSC “Financial Company of Credit Unions”, which provides for the principles of self-government.
February 4	<p>Results of monetary policy conducted in the Kyrgyz Republic in 2012 were discussed at the meeting of the Expert forum.</p>
February 8-9	<p>The NBKR administration participated in the 29th session of the Club of Governors of Central Banks, which unites the banks of Central Asia, Black Sea and Balkan Countries held in Prague, Czech Republic.</p>
February 13	<p>The Board of the NBKR adopted the following resolutions:</p> <ul style="list-style-type: none"> – “On Amendments to Resolution of the Board of the National Bank of the Kyrgyz Republic on Approval of Regulations “On Licensing of Banks Activity”; – “On Amendments and Addenda to Some Regulatory Legal Acts of the National Bank of the Kyrgyz Republic, under which Amendments and Addenda were approved in Regulations “On Licensing Credit Unions and in Regulations “On Licensing, Reorganization and Liquidation of Microfinance Companies in the Territory of the Kyrgyz Republic”.
February 27	<p>The Board of the NBKR reviewed the following:</p> <ul style="list-style-type: none"> – “Monetary Policy Report for 2012”; – Report “On Payment System in the Kyrgyz Republic for the 4th quarter of 2012”.

Date	Event
March 15	Interbank Council on the Payment System held a session with participation of representatives of commercial banks and CJSC “Interbank Processing Center”, Issues of the necessity to update the Bulk Clearing System for its safe functioning, expanding the range of banking services and informing the clients of the banks on new capabilities of non-cash payments were discussed during this session.
March 19	Interagency Commission for increasing the share of non-cash payments and settlements in the Kyrgyz Republic held a meeting. Ministries and agencies submitted reports on execution of the Action Plan of the State Program to Increase the Share of Non-Cash Payments and Settlements in the Kyrgyz Republic for 2012-2017, proposal on increasing the share of non-cash payments and settlements were heard.
March 22	Supervision Committee of the NBKR adopted a resolution “On Amendments and Addenda to Guidelines “On Maintenance of Database of Obligations of Banks to Depositors”.
March 22-30	Mission of the International Monetary Fund on improvement of monetary policy basic principles operated in the NBKR, the representatives of the OGRResearch Consulting Company made a visit within the framework of this operation and training on basis principles of MATLAB program sphere has held.
March 27	<p>The Board of the NBKR adopted the following resolutions:</p> <ul style="list-style-type: none"> – “On Amendments and Addenda to Resolution of the Board of the National Bank of the Kyrgyz Republic on Approval of Policy and Basic Principles of Antimonopoly Regulation, Development of Competition and Protection of Consumers’ Rights in the Market of Banking Services of the Kyrgyz Republic Rendered by Commercial Banks and Other Financial-Credit Institutions Licensed and Regulated by the NBKR”; – “On Amendments and Addenda to Resolution of the Board of the National Bank of the Kyrgyz Republic of Regulations “On Minimum Requirements to External Audit of Banks and Other Financial-Credit Institutions Licensed by the National Bank of the Kyrgyz Republic”; – “On Amendments and Addenda to Resolution of the Board of the National Bank of the Kyrgyz Republic of Approval of New Version of Regulations “On Committee on Payment System of the National Bank of the Kyrgyz Republic”.
March 27 - April 10	The IMF’ Mission visited the Kyrgyz Republic to carry out the Fourth Review of the progress in implementation of the economic program supported by the IMF under Extended Credit Facility (ECF).
March 29	Session of Expert Forum was held with participation of independent experts, in the course of which results of monetary policy for 2012 and its preliminary results for the first quarter of 2013 were discussed.
April 8	Press-conference was held with participation of the NBKR Deputy Chairman at

Date	Event
April 22	Information Agency “Kabar”, it was devoted to the results of monetary policy for the first quarter of 2013.
April 22	The decision to purchase 10.0 percent of shares of OJSC “Zalkar Bank” by the Fund of Public Property Management under the Government of the Kyrgyz Republic was taken following the results of 15 th session of the Intergovernmental Kyrgyz-Russian Commission on trade and economic, scientific and technical and humanitarian cooperation.
April 24	<ul style="list-style-type: none"> • The Board of the NBKR adopted the following resolutions: <ul style="list-style-type: none"> – “On Amendments and Addenda to Some Regulatory Legal Acts of the National Bank of the Kyrgyz Republic” according to which Amendments and Addenda were approved in the Instructions “On Requirements to Operations of Banks with Insiders and Affiliated Entities” and to Interim Rules Regulating Activities of Microfinance Companies in the Territory of the Kyrgyz Republic”; – “On Amendments and Addenda to Some Regulatory Legal Acts of the National Bank of the Kyrgyz Republic”, according to which Amendments and Addenda were approved in the Rules Regulating Activities of Credit Unions in the Kyrgyz Republic, Regulations “On Periodic Regulatory Report of Credit Union”, Regulations “On Periodic Regulatory Report of Microfinance Company”, Regulation “On Periodic Regulatory Report of Microfinance Company/Microcredit Agency”; – “On Amendments and Addenda to Resolution of the Board of the National Bank of the Kyrgyz Republic of Approval of Regulations “On Licensing of Banks Activity”; – “On Amendments to Resolution of the Board of the National Bank of the Kyrgyz Republic of Approval of State Payment Turnover Classifier”. • The National Bank received an application with a package of documents of the Open Joint Stock Company “Investment Trade Business Holding” for approval of the National Bank to purchase 90.0 percent of shares of OJSC “Zalkar Bank”.
April 26	The President of the Kyrgyz Republic signed the Law “On Amendments and Addenda to Some Regulatory Acts of the Kyrgyz Republic”. According to which amendments were introduced to the Laws “On Microfinance Organizations in the Kyrgyz Republic”, “On Credit Unions”, “On Operations with Foreign Currency” meant for expanding the range of operations conducted by microfinance organizations and credit unions.
April 29	The NBKR administration participated in 46 meetings of the Council of Interstate Bank held in Moscow, Russia.
May 3	<ul style="list-style-type: none"> • Purchase agreement on purchase of 90.0 percent of shares of OJSC “Zalkar Bank” was made between Agency on Reorganization of Banks and Restructuring of Debts of the Kyrgyz Republic and OJSC “Investment Trade Business Holding”. According to the shareholders’ register of OJSC “Zalkar

Date	Event
	Bank” as of May 8, 2013, OJSC “ITB Holding” is the owner of 90.0 percent shares of the banks.
	<ul style="list-style-type: none"> • Round-table meeting was held by the banks for joint discussion and settlement of topical issues related to activity of financial-credit institutions.
May 14	Session of Expert Forum was held with participation of independent experts, in the course of which results of monetary policy for the first quarter of 2013 were discussed.
May 30	<p>The Board of the NBKR reviewed:</p> <ul style="list-style-type: none"> – “Monetary Policy Report for the first quarter of 2013”; – Report “On Payment System in the Kyrgyz Republic for the first quarter of 2013”.
June 14	<p>The Board of the NBKR adopted the following resolutions:</p> <ul style="list-style-type: none"> – “On Approval of Regulations “On Minimum Requirements to Pricing Policy of Banking Services and Services Rendered by Microfinance Organizations”; – “On Explanation (Clarification) of paragraph 1-2 of the Resolution of the Board of the National Bank “On Minimum Size of Capital (Equity) of Banks”.
June 16-20	Seminar “Activity of central (national) banks on control over payment (settlement) systems. Supervision of payment system” (Issyl-Kul Oblast, Bosteri village) was prepared and organized by EurAsEC with participation of representatives of central (national) banks of Russian Federation, Republic of Kazakhstan and Republic of Tajikistan, as well as CJSC “Interbank Processing Center”.
June 24	Working group on development of the Program of raising financial literacy of the population was created in pursuance of the order of the Government of the Kyrgyz Republic.
June 24 - July 15	Joint Mission of the World Bank and the International Monetary Fund on financial sector assessment (FSAP) was in the Kyrgyz Republic.
June 25	AS “Automated Trade System” (ATS) was put into industrial operation.
June 26	The Board of the NBKR adopted Resolution “On Amendments and Addenda to Regulations “On Periodic Regulatory Bank Reports”.
June 28	<ul style="list-style-type: none"> • Working group was created for development of the program “Main Guidelines of the Banking Sector Development for 2014-2017”. • Seminar on execution and implementation of the Action Plan of the State Program on increasing the share of non-cash payments in the regions, including the issues of promoting bank cards in the process of non-cash payments, was held for the representatives of budget-funded institutions within the framework

Date	Event
	of raising financial literacy of consumers of retail payment services in Bakai-Ata district, Talas Oblast.
July 1	Working group was created for executing instructions of Governing Committee on introduction of Islamic principles of banking and finance in the Kyrgyz Republic.
July 8-12	The representatives of the IMF visited the Kyrgyz Republic to overview the current economic situation in the country.
July 19	Half-year results of measures taken within the framework of Microfinance Development Strategy for 2011-2015 were considered in the course of the meeting of Coordination Council on development of microfinance in the Kyrgyz Republic.
July 23	Issues on increasing the share on non-cash payments and settlements in the Kyrgyz Republic were discussed at the meeting held by the Interagency Commission, as well as reports of ministries and agencies on implementation of Action Plan of the State Program on increasing the share of non-cash payments in the Kyrgyz Republic for 2012-2017.
July 24	The Law of the Kyrgyz Republic “On Restraining Usurious Activity in the Kyrgyz Republic”, which provides for the basic principles of the government policy in the sphere of restraining usurious activity in the Kyrgyz Republic was approved.
August 1	Meeting of the Interbank Council on payment system was held with participation of representatives of commercial banks, the Central Treasury, the Ministry of Finance of the Kyrgyz Republic and CJSC “Interbank Processing Center”.
August 2	Session of Expert Forum was held with participation of independent experts, in the course of which preliminary results of monetary policy for the first half of 2013 were discussed.
August 7	<ul style="list-style-type: none"> • Press-conference was held in Information Agency “Kabar” with participation of the NBKR Deputy Chairman, it was devoted to the results of monetary policy for the first half of 2013. • Supervision Committee approved Resolution “On Amendments and Addenda to Guidelines on Filling-in PRBR”.
August 26-29	Seminars were held for budget-funded institutions and employees of the RD of the NBKR in southern regions, in the cities of Osh, Batken and Jalal-Abad, to explain the objectives of the State Program to Increase the Share of Non-cash payments in the regions.
August 26	The Board of the NBKR considered Monetary Policy Report for the first half of 2013.
August 27-28	The administration of the National Bank of the Kyrgyz Republic participated

Date	Event
	in the ESCAP dialogue on the issues of high-level policy on the subject “Macroeconomic policy for sustainable and reliable growth of Northern and Central Asia”.
August 28 - September 3	The representatives of the OGREsearch Consulting Company visited the republic to elaborate and completed development of mid-term model of forecasting within the framework of Forecasting and Policy Analysis System (FPAS).
August 28	<p>The Board of the NBKR adopted Resolution on “On Amendments and Addenda to Some Regulatory Legal Act of the National Bank of the Kyrgyz Republic”, in accordance to which amendments and addenda were introduced to the following regulatory and legal acts:</p> <ul style="list-style-type: none"> – Regulations “On Implementation of Islamic Principles of Finance in the Kyrgyz Republic within Pilot Project”; – Regulations “On Operations Carried out under Islamic Principles of Banking and Finance”; – Interim Regulations “On Requirements to Standard Agreements Made under Islamic Principles of Banking and Finance”.
September 4	The Board of the NBKR adopted Resolution on Report “On Payment System of the Kyrgyz Republic for the second quarter of 2013”.
September 6	Methodological Commission of the NBKR adopted Terminology on operations carried out under Islamic principles of financing.
September 9-11	Seminar “Monetary policy of central (national) banks of EurAsEC member states, Monetary Policy Instruments” was held within the framework of cooperation of EurAsEC member states with participation of representatives of the National Bank of the Kyrgyz Republic, the Central Bank of the Russian Federation, the National Bank of the Republic of Belarus, the National Bank of the Republic of Kazakhstan, the National Bank of the Republic of Tajikistan, the National Bank of Poland.
September 10-12	The administration of the NBKR participated in the Global political forum of the Alliance for Financial Inclusion (AFI).
September 12-14	The administration of the NBKR participated in the 30 th session of the Club of Governors of Central Banks held in Erevan, Armenia.
September 13	Round-table meeting was held by the heads of commercial banks and ULE “Union of Banks of Kyrgyzstan” to review the project “Main Directions of Banking Sector Development for 2014-2017”.
September 18 - October 2	The IMF’ Mission visited the Kyrgyz Republic to carry out the Fifth Review of the progress in implementation of the economic program supported by the IMF under Extended Credit Facility (ECF).

Date	Event
September 25	<p>The Board of the NBKR adopted the following resolutions:</p> <ul style="list-style-type: none"> – “On Amendments and Addenda to Some Regulatory Legal Acts of the National Bank of the Kyrgyz Republic”, according to which Amendments and Addenda to Instructions “On Considering by the NBKR Bodies Cases of Administrative Violations in the Sphere of Banking Legislation”, Regulations “On Pretrial Settlement of Disputes between the Government of the Kyrgyz Republic and Commercial Banks, Organizations Carrying out Separate Types of Banking Operations and their Founders (Participants), Legal Entities and Individuals”, Regulations “On Direct Bank Supervision”; Regulations “On Enforcement Measures Applied to Banks and Other Financial-Credit Institutions Licensed by the National Bank of the Kyrgyz Republic”, Regulations “On Preventive Measure and Sanctions Applied by the National Bank of the Kyrgyz Republic to Microfinance Organizations”, Regulations “On Enforcement Measures Applied to Credit Unions”, Regulations “On Supervision Committee of the National Bank of the Kyrgyz Republic”; – “On Approval of Regulations “On Minimum Requirements on Credit Risk Management in Microfinance Organizations not Attracting Deposits”; – “On Approval of Regulations “On Minimum Requirements to Credit Risk Management in Carrying out Operations under Islamic Principles of Banking and Finance”; – “On Amendments to Some Regulatory Legal Acts of the National Bank of the Kyrgyz Republic Regulating Operation of Microfinance Organizations, according to which Amendments and Addenda were Approved in Regulations “On Creation of Microfinance Companies and Credit Agencies” and in Interim Rules regulating activities of microfinance companies in the territory of the Kyrgyz Republic. – “On Amendments to Some Regulatory Legal Acts of the Kyrgyz Republic”, according to which Amendments were approved in Regulations “On Bank Payment Cards of the Kyrgyz Republic”, Regulations “On Licensing of Payment Services with Use of E-money in the Form of Payment Cards”.
September 27	<p>Draft Bank Core of the Kyrgyz Republic and the Draft Law of the Kyrgyz Republic “On Putting into Operation of the Bank Code of the Kyrgyz Republic” were approved by the Resolution of the Government of the Kyrgyz Republic and submitted for consideration of Jogorku Kenesh of the Kyrgyz Republic.</p>
October 9-14	<p>The administration of the National Bank being part of the Government delegation participated in the Annual Meeting of the Governors of the IMF and the World Bank in Washington, USA.</p>
October 11	<p>Draft Resolution “On Amendments and Addenda to Resolution of the Government of the Kyrgyz Republic “On Approval of Microfinance Development Strategy for 2011-2015” agreed with the ministries and agencies was submitted for consideration of the Government of the Kyrgyz Republic.</p>
October 18-19	<p>The administration of the NBKR participated in the regular 29th session of the</p>

Date	Event
October 23	<p data-bbox="491 248 1449 315">Council of Governors of Central (National) Banks of EurAsEC member states in Grodno, Belarus.</p> <ul style="list-style-type: none"> <li data-bbox="491 360 1449 506">• Meeting of Scientific and Expert Council of the National Bank of the Kyrgyz Republic was held to consider and approve technical assignments of scientific and research works (SRW), as well as to consider the report for 2013 on conducted SRW and to approve SRW Plan for 2014. <li data-bbox="491 551 1449 1547">• The Board of the NBKR adopted the following resolutions: <ul style="list-style-type: none"> <li data-bbox="528 584 1449 730">– “On Amendments and Addenda to Resolution of the Board of the National Bank of the Kyrgyz Republic on Approval of Regulations “On Separate Transactions/Operations of Commercial Banks and Microfinance Companies of the Kyrgyz Republic with Real Estate”; <li data-bbox="528 730 1449 920">– “ On Amendments and Addenda to Resolution of the Board of the National Bank of the Kyrgyz Republic “On Some Regulatory Legal Acts of the National Bank of the Kyrgyz Republic”; “On Approval of Instructions “On Provision of Individual Safe Boxes for Keeping Valuables by Commercial Banks of the Kyrgyz Republic”; <li data-bbox="528 920 1449 1323">– “On Amendments and Addenda to Some Regulatory and Legal Acts of the National Bank of the Kyrgyz Republic, according to which Amendments and Addenda were approved in Interim Rules Regulating Activities of Microfinance Companies in the Territory of the Kyrgyz Republic”, “Regulation “On Preventive Measures and Sanctions Applied by the National Bank of the Kyrgyz Republic to Microfinance Organizations”, “Rules Regulating Operation of Credit Unions in the Kyrgyz Republic”, “Regulation “On Minimum Requirements on Credit Risk Management in Credit Unions”, Regulations “On Classification of Assets and Corresponding Allocations for Loan Loss Provision in Carrying out Operations under Islamic Principles of Banking and Finance”; <li data-bbox="528 1323 1449 1435">– “On Approval of Regulations “On Minimum Requirements to Standard Agreements of Microfinance Organizations and Credit Unions Entered into under Islamic Principles of Banking and Finance”; <li data-bbox="528 1435 1449 1547">– “On Amendments and Addenda to Resolution of the Board of the National Bank of the Kyrgyz Republic “On Approval of Regulations “On Licensing Banks Activity”;
October 28	<ul style="list-style-type: none"> <li data-bbox="491 1592 1449 1693">• Licenses of OJSC “Kyrgyzdyikanbank” for the right to carry out banking operations with the national and foreign currency were rehabilitated and issued. <li data-bbox="491 1738 1449 1883">• Round-table meeting was held to discuss the project “Main Guidelines of the Banking Sector Development for 2014-2017” with participation of the National Bank representatives, heads of commercial banks, ULE “Union of Banks of Kyrgyzstan” and independent experts under the auspices of the UNDP.
October 31	<p data-bbox="491 1928 1449 2031">Procedure of purchase of 10.0 percent of share of OJSC “Rosinbank” by the Fund of Public Property Management under the Government of the Kyrgyz Republic was completed.</p>

Date	Event
November 19	Session of Expert Forum was held with participation of independent experts, in the course of this session preliminary results of monetary policy for 9 months of 2013 were discussed.
November 20	<ul style="list-style-type: none"> • The Board of the NBKR adopted resolution of approval of Regulations “On Center of Emergency Rehabilitation of the National Bank of the Kyrgyz Republic” to provide uninterrupted operation of information systems in the National Bank. • The Board of the NBKR adopted amendments to Joint Resolution of the NBKR and the Government of the Kyrgyz Republic “On Approval of Regulations “On Non-Cash Settlements of the Kyrgyz Republic”.
November 26	Training seminar “Main directions of payment system development in the Kyrgyz Republic” was held for the staff of commercial banks on the issues of regulatory and legal framework in the sphere of payment systems, its improvement and bringing in compliance with the Law “On Payment System of the Kyrgyz Republic”, supervision over functioning of payment systems and operators, as well as development of innovation technologies and their regulation.
November 27	<p>The Board of the NBKR adopted the following resolutions:</p> <ul style="list-style-type: none"> – “On Amendments to Regulations “On Minimum Requirements to Pricing Policy of Banking Services Rendered by Microfinance Organizations” and to Interim Rules regulating activities of microfinance companies in the territory of the Kyrgyz Republic; – “On Amendments and Addenda to Some Regulatory and Legal Acts of the National Bank of the Kyrgyz Republic, according to which Amendments and Addenda were introduced in Regulations “On Minimum Requirements to Credit Risk Management in Banks and Other Financial-Credit Institutions Licensed by the National Bank of the Kyrgyz Republic”, Interim Procedure of applying special classification of credits satisfying particular criteria, Regulation “On Minimum Requirements on Credit Risk Management in Microfinance Organizations not Attracting Deposits”, Interim Regulation “On Common Principles of Assets Classification and Formation of Loan Loss Provision by Microfinance Organizations of the Kyrgyz Republic Having no Right to Accept Deposits from Individuals and Legal Entities”.
November 28	Draft Law “On Exchange of Credit Information” was approved by Jogorku Kenesh of the Kyrgyz Republic in the 2 nd and 3 rd hearings.
November 28 - December 4	The representatives of the OGREsearch Consulting Company visited the Kyrgyz Republic to elaborate and completed development of mid-term model of forecasting within the framework of Forecasting and Policy Analysis System (FPAS).
November 29	The administration of the NBKR participated in the 47 th meeting of the Council of Interstate Bank, Moscow, Russia.

Date	Event
November 30	The Board of the NBKR considered report “On Payment System in the Kyrgyz Republic for the 3 rd quarter of 2013”.
December 2	Delegation of the representatives of the Central Bank of the Republic of Turkey, the Agency of Bank Regulation and Supervision of the Republic of Turkey, the Representation on Economy of the Embassy of the Kyrgyz Republic, Permanent Representation of Turkish Agency on International Cooperation in Bishkek.
December 4	<p>The Board of the NBKR adopted the following resolutions:</p> <ul style="list-style-type: none"> – “On Monetary Policy Report for nine months of 2013”; – “On Main Monetary Policy Guidelines for 2014-2017”; – “On Statement of the National Bank of the Kyrgyz Republic on Monetary Policy for 2014”.
December 19	Round-table meeting was held to discuss new basic principles and monetary policy instruments, as well as the project “Main Guidelines of the Banking Sector Development for 2014-2017” with participation of the National Bank Governor, heads of commercial banks and ULE “Union of Banks of Kyrgyzstan” and independent experts under the auspices of the UNDP.
December 19-20	Seminars were held in Karakol within the framework of implementation the Action Plan of the State Program to Raise Financial Literacy of Consumers of Retail Payment Services.
December 20	<ul style="list-style-type: none"> • The Board of the NBKR adopted the following resolutions Resolution “On Amendments to Resolution of the Board of the National Bank of the Kyrgyz Republic “On Approval of State Payment Turnover Classifier”. <ul style="list-style-type: none"> – “On Discount Rate of the National Bank of the Kyrgyz Republic”, according to which mechanism of discount rate determination based on average yield of 28-day NBKR Notes for the last 4 auctions shall be replaced with directory determination by the Board of the NBKR based on analysis of the situation. – “On Addenda to Procedural Rules of the Board of the National Bank of the Kyrgyz Republic, according to which press-releases shall be posted on the official website of the National Bank within two working days upon consideration of monetary policy issues by the Board. • The Board of the NBKR approved “Main Guidelines of the Banking Sector Development for 2014-2017”.
December 23	<p>The Board of the NBKR adopted the following resolutions:</p> <ul style="list-style-type: none"> – “On Schedule of Meetings of the Board of the National Bank for 2014 on Monetary Policy Issues”; – “On Approval of Instructions “On Inspections of Operations of Microfinance Companies not Attracting Deposits”; – “On Approval of Regulations “On Minimum Requirements on Credit Risk Management in Credit Unions Carrying out Operations under Islamic Principles of Banking and Finance”;

Date	Event
December 25	<p data-bbox="491 257 1410 622">– “On Amendments and Addenda to Some Regulatory Legal Acts of the National Bank of the Kyrgyz Republic according to which Amendments and Addenda were approved in Regulations “On Creation and Activities of Microcredit Companies, Microcredit Agencies in the Kyrgyz Republic”, Regulations “On Licensing, Reorganization and Liquidation of Microfinance Companies in the Territory of the Kyrgyz Republic”, Regulations “On Licensing of Credit Unions”, Regulations “On Procedures of Carrying out Exchange Operations with Foreign Currency in Cash in the Kyrgyz Republic”, Regulations “On License Issue for Carrying out Exchange Operations with Foreign Currency in Cash”.</p> <p data-bbox="453 667 1410 766">The Board of the NBKR approved Joint Statement of the Government and the National Bank of the Kyrgyz Republic on main directions of economic policy for 2014.</p>

Appendix 2
to the NBKR Report for 2013

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Table 1.
Macroeconomic Indicators

	Unit of Measurement	2009	2010	2011	2012	2013
Real Sector¹						
Nominal GDP	<i>in millions of KGS</i>	201,222.9	220,369.3	285,989.1	310,471.3	350,028.4*
Rate of Growth of Real GDP	<i>percent</i>	2.9	-0.5	6.0	-0.1	10.5*
Rate of Growth of Industrial Output	<i>percent</i>	-6.4	9.8	11.9	-20.2	34.3*
Rate of Growth of Gross Agricultural Output	<i>percent</i>	7.0	-2.6	2.0	1.2	2.9*
Retail Turnover	<i>in millions of KGS</i>	129,487.4	135,815.6	172,110.4	202,207.4	232,416.8
Rendered Market Services	<i>in millions of KGS</i>	258,156.8	267,633.0	335,393.0	386,400.1	442,590.5
Consumer Prices (in % to the previous period)		0.0	19.2	5.7	7.5	4.0
- food products		-7.4	27.0	3.5	4.5	1.8
- alcoholic beverages and tobacco products		5.2	12.9	9.8	10.2	7.3
- non-food products		10.4	14.2	9.2	9.8	6.3
- services		4.4	11.9	11.1	9.8	4.3
Producer' Prices (in % to the previous period)		12.0	22.9	21.8	5.2	-2.6
Unemployment Rate	<i>percent</i>	2.6	2.6	2.5	2.4	2.3
Average Nominal Wage	<i>KGS</i>	6,253.0	7,142.0	9,352.0	10,891.0	11,426.0
Estimated Minimal Consumer Budget	<i>KGS</i>	3,263.2	3,502.7	4,390.0	4,341.2	4,599.2
Financial Sector²						
NBKR Discount Rate (end of period)	<i>percent</i>	0.9	5.5	13.6	2.6	4.2
Government Treasury Bills Market (average yield for the period)	<i>percent</i>					
Maturity Period:						
- 3 months		10.9	4.6	8.0	6.1	4.9
- 6 months		12.3	7.4	13.0	8.5	6.5
- 12 months		13.6	12.1	16.9	10.8	9.5
Interbank Market						
Credits in National Currency:						
- volume (for the period)	<i>in millions of KGS</i>	2,193.7	451.1	905.0	1,357.6	1,916.3
- interest rate (average for the period)	<i>percent</i>	7.8	4.5	9.1	7.7	7.2
Credits in Foreign Currency:						
- volume (for the period)	<i>in millions of KGS</i>	711.1	131.3	69.1	391.2	-
- interest rate (average for the period)	<i>percent</i>	6.0	2.9	3.5	1.6	-
REPO Transactions						
- turnover volume	<i>in millions of KGS</i>	8,613.1	4,597.9	5,116.8	5,942.0	8,753.5
- interest rate (average for the period)	<i>percent</i>	8.3	3.7	9.4	7.7	3.8
Foreign Exchange Market						
Transactions at Interbank Foreign Exchange Auctions	<i>in thousands of USD</i>	657,140.0	647,840.0	907,600.0	1,011,150.0	1,144,145.5
Deposit and Credit Market						
Credits in National Currency:						
- volume (for the period)	<i>in millions of KGS</i>	9,993.5	11,947.3	15,162.3	17,051.1	26,672.4
- interest rate (average for the period)	<i>percent</i>	26.7	23.7	23.8	23.0	21.3
- interest rate (end of period)	<i>percent</i>	25.3	22.9	22.4	22.9	20.7
Credits in Foreign Currency:						
- volume (for the period)	<i>in millions of KGS</i>	12,005.4	10,872.1	16,742.4	21,000.1	32,626.6
- interest rate (average for the period)	<i>percent</i>	21.5	19.8	19.6	19.1	17.7
- interest rate (end of period)	<i>percent</i>	20.6	19.3	17.8	17.3	16.4
Deposits in National Currency:						
- volume (for the period)	<i>in millions of KGS</i>	33,842.4	56,034.1	95,086.1	120,031.0	146,621.9
- interest rate (average for the period)	<i>percent</i>	2.8	2.0	2.2	2.3	2.3
- interest rate (end of period)	<i>percent</i>	5.3	4.6	5.3	5.2	5.6
Deposits in Foreign Currency:						
- volume (for the period)	<i>in millions of KGS</i>	49,761.5	73,429.2	108,083.6	114,824.2	141,729.6
- interest rate (average for the period)	<i>percent</i>	1.7	1.1	0.8	0.8	0.8
- interest rate (end of period)	<i>percent</i>	2.1	2.9	2.8	2.9	2.8
State Budget³						
Revenues	<i>in millions of KGS</i>	55,322.1	57,384.5	77,344.4	86,768.4	101,786.4
including taxes	<i>percent</i>	65.3	68.6	68.5	73.7	71.6
Expenditures	<i>in millions of KGS</i>	50,034.3	61,583.2	82,393.8	100,019.0	86,600.7
Net Purchase of Nonfinancial Assets	<i>in millions of KGS</i>	8,211.1	6,569.2	8,488.4	6,981.4	17,531.8
Deficit (-) / Surplus (+)	<i>in millions of KGS</i>	-2,923.3	-10,767.9	-13,537.8	-20,232.1	-2,346.1
in percent of GDP	<i>percent to GDP</i>	-1.5	-4.9	-4.7	-6.5	-0.7
External Economic Sector						
Export of Goods and Services	<i>percent to GDP</i>	50.8	49.8	52.6	45.2	45.7*
Import of Goods and Services	<i>percent to GDP</i>	76.8	79.2	83.2	100.3	97.6*
Current Account Balance ⁴ (including transfers)	<i>percent to GDP</i>	-4.0	-6.6	-10.8	-25.9	-25.2*
Reserve Assets	<i>months of imports of goods and services</i>	5.0	4.2	3.4	3.5	3.7*

* preliminary data

¹ NSC KR data² NBKR data³ CT MF KR data⁴ Positive balance – “+”; Negative balance – “-”

“-” – no transactions

Table 2.GDP Structure
(percent)

	2009	2010	2011	2012	2013*
Total	100,0	100,0	100,0	100,0	100,0
Agriculture, Hunting and Forestry	18,8	17,4	16,6	16,6	15,2
Mineral resource industry	0,5	0,6	0,8	0,9	0,7
Processing industry	14,2	17,0	18,3	12,1	13,4
Production and distribution of electricity, gas, and water	2,2	3,1	3,4	2,7	2,0
Construction	6,7	5,5	4,9	6,5	6,8
Trade, repair of motor vehicles, household goods, and personal use items	16,8	16,0	15,2	16,0	16,1
Hotels and restaurants	1,3	1,3	1,5	1,4	1,5
Transportation and communication	8,8	8,6	8,1	9,2	9,5
Other	19,7	20,3	20,2	21,5	20,5
Net taxes on products	11,0	10,2	11,0	13,1	14,4

NSC KR data

* preliminary data

Table 3.Structure of Capital Investments by Sources of Financing
(percent)

	2009	2010	2011	2012	2013*
Total	100,0	100,0	100,0	100,0	100,0
Domestic investments	70,6	76,6	71,3	67,4	64,1
including those financed by:					
State budget	13,1	7,3	9,5	5,8	3,4
Local budget	2,1	1,5	1,3	1,0	0,8
Funds of enterprises and organizations	18,7	36,3	34,9	37,0	38,2
Credits to banks	6,0	7,0	0,6	0,5	0,3
Funds of the population, including charitable aid of residents of the Kyrgyz Republic	30,8	24,5	25,0	23,1	21,5
Foreign investments	29,4	23,4	28,7	32,6	35,9
including those financed by:					
Foreign credits	17,5	12,6	18,5	19,8	24,0
Foreign direct investments	9,3	7,3	6,8	9,0	9,5
Foreign grants and humanitarian aid	2,6	3,5	3,4	3,8	2,4

NSC KR data

* preliminary data

Table 4.

Monetary Base and Monetary Aggregates (end of period)

(in millions of KGS)

	2009	2010	2011	2012	2013
Base money	41,587.7	48,597.3	54,803.2	64,488.8	73,139.4
Currency in circulation	35,738.7	43,290.3	49,866.9	58,252.2	66,954.2
Currency outside banks (M0)	33,882.3	41,471.2	47,219.6	54,521.2	61,907.2
Monetary aggregate (M1)	40,181.7	50,092.8	56,946.3	70,220.7	79,707.6
Broad money (M2)	43,490.0	53,745.4	62,125.3	77,460.6	90,962.7
Monetary aggregate (M2X)	57,126.4	69,207.7	79,527.8	98,482.9	120,903.4
Multiplier M1	0.97	1.03	1.04	1.09	1.09
Multiplier M2	1.05	1.11	1.13	1.20	1.24
Multiplier M2X	1.37	1.42	1.45	1.53	1.65
M1 Velocity	5.97	5.13	5.55	5.10	4.83
M2 Velocity	5.52	4.75	5.11	4.61	4.28
M2X Velocity	4.27	3.71	3.95	3.52	3.25
Currency outside banks/Deposits	1.46	1.50	1.46	1.24	1.05
Deposits/Broad money (M2X)	0.41	0.40	0.41	0.45	0.49

Prior to January 1st 2010 Base Money=Currency in circulation + Reserves and Deposits of other depositary corporations in NBKR in national and foreign currencies +deposits of financial institutions in NBKR in national and foreign currencies;

Starting from January 1st, 2010 Base money = Currency in circulation + Reserves of other depositary corporations in NBKR in national currency;

Currency in circulation = notes and coins issued by NBKR less notes and coins held as vault cash in NBKR;

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

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

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

Money supply (M2X) = M2 + settlement (current) accounts and deposits in foreign currency;

Multiplier = ratio of monetary aggregate to the base money;

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

Table 5.

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

	2009	2010	2011	2012	2013
Net foreign assets	54,308.5	65,126.7	71,419.5	87,158.7	99,924.8
Net international reserves	62,329.4	73,474.9	79,629.0	93,046.0	106,115.8
Gold	4,002.5	5,500.4	6,139.8	7,721.1	6,885.7
Foreign currency (assets)	65,847.9	75,315.7	78,980.7	89,980.5	103,200.2
Foreign currency (liabilities)	-7,521.0	-7,341.3	-5,491.5	-4,655.6	-3,970.1
Other external assets	133.3	134.3	135.0	305.0	235.3
Allocation of SDRs	-5,863.2	-6,096.4	-6,030.1	-6,192.3	-6,426.3
Long-term external liabilities	-2,291.1	-2,386.1	-2,314.4	0.0	0.0
Net domestic assets	-13,247.8	-16,529.4	-16,616.3	-22,669.9	-26,785.4
<i>Net domestic credit</i>	-4,383.8	-2,489.2	-1,712.7	-6,789.7	-13,496.8
Net claims on General Government	-1,644.2	-2,052.6	-1,158.3	-2,968.0	-6,973.9
Net claims on Government	1,001.3	-1,982.5	-1,143.3	-2,968.0	-6,973.9
Securities	2,907.5	3,026.8	3,121.1	2,311.2	1,511.6
Credit in foreign currency to the Government	2,196.1	2,333.1	2,288.2	0.0	0.0
Deposits	-3,975.5	-7,242.5	-6,479.7	-5,182.0	-8,425.7
Budgetary accounts	-1,583.1	-2,725.4	-5,082.8	-1,948.5	-6,015.0
Counterpart funds	0.0	0.0	0.0	-141.2	0.0
Other Government accounts	-493.2	-493.8	-289.4	-260.7	-1,927.1
Government deposits in foreign currency	-1,899.2	-4,023.3	-1,107.6	-2,831.7	-483.7
Government credit	-126.8	-99.8	-72.9	-97.2	-59.7
Net claims on special funds	-2,645.5	-70.2	-15.0	0.0	0.0
Net claims on other depository corporations	-1,264.0	86.8	-398.0	-3,821.6	-6,522.9
Loans	322.6	342.7	1,664.8	1,150.2	1,204.7
including: overnight loans	0.0	0.0	0.0	0.0	0.0
loans in foreign currency	208.3	228.4	216.1	220.3	227.3
Securities	-1,059.5	-738.7	-1,566.6	-3,843.6	-7,220.4
including: notes issued by NBKR	-1,059.5	-667.9	-1,359.2	-3,046.9	-6,634.6
Securities on REPO agreements	0.0	-70.8	-207.4	-796.7	-585.7
Deposits	-527.0	-207.2	-496.2	-1,128.1	-507.2
including: deposits in foreign currency	-527.0	-207.2	-496.2	-1,128.1	-507.2
Derivatives	0.0	690.0	0.0	0.0	0.0
Net claims on other financial institutions	-1,475.5	-523.3	-156.3	-0.2	0.0
<i>Capital accounts</i>	-11,243.2	-16,582.8	-15,595.7	-17,133.1	-14,851.2
<i>Other items</i>	2,379.1	2,542.5	692.1	1,253.0	1,562.6
Monetary Base	41,060.7	48,597.3	54,803.2	64,488.8	73,139.4
Currency in circulation	35,738.7	43,290.3	49,866.9	58,252.2	66,954.2
Reserves of other depository corporations in national currency	5,322.0	5,307.0	4,936.3	6,236.6	6,185.2
<i>For reference only:</i>					
Monetary base - broad definition	41,587.7	48,804.5	55,299.5	65,617.0	73,646.6
Currency in circulation	35,738.7	43,290.3	49,866.9	58,252.2	66,954.2
Reserves of other depository corporations	5,446.7	5,514.2	5,275.6	6,653.8	6,692.5
Reserves of other depository corporations in national currency	5,322.0	5,307.0	4,936.3	6,236.6	6,185.2
Reserves of other depository corporations in foreign currency	124.8	207.2	339.3	417.1	507.2
Deposits in foreign currency	402.3	0.0	156.9	711.0	0.0

Source: NBKR general ledger.

Note: 1. Methodology of the analytical balance sheet preparation complies with the concept and principles of the IMF Monetary and Financial Statistics Manual 2000.

2. Starting from January 1st, 2010, the changes were made to the structure and methodology of calculating some indicators due to the approval of the new Regulation "On the Analytic Balance Sheet of the NBKR".

3. Data for 2009 are given according to the new structure of the Analytic Balance Sheet of the NBKR.

Table 6.

External Economic Indicators

	Unit of Measurement	2009	2010	2011	2012	2013*
Balance of Payments Indicators						
Total balance	<i>US\$ million</i>	257.9	76.8	106.4	189.3	261.9
	<i>in percent of GDP</i>	5.5	1.6	1.8	2.9	3.6
Current account balance ¹	<i>US\$ million</i>	-184.5	-317.1	-640.9	-1,675.1	-1,820.0
	<i>in percent of GDP</i>	-4.0	-6.6	-10.8	-25.9	-25.2
Export of goods (FOB)	<i>US\$ million</i>	1,693.8	1,778.7	2,267.0	1,954.4	2,048.4
	<i>in percent of GDP</i>	36.3	37.2	38.1	30.2	28.4
Import of goods (FOB)	<i>US\$ million</i>	2,813.6	2,980.9	3,935.9	5,165.1	5,613.6
	<i>in percent of GDP</i>	60.3	62.4	66.2	79.9	77.8
Reserve assets	<i>months of import of goods and services of the following year</i>					
		5.0	4.2	3.4	3.5	3.7
Public External Debt						
Public external debt ²	<i>US\$ million</i>	2,502.9	2,646.0	2,825.9	3,100.0	3,159.6
	<i>in percent of GDP</i>	53.7	55.4	47.5	47.9	43.8
	<i>in percent of export of goods and services</i>	105.5	111.2	90.4	106.1	95.8
Public external debt servicing (actual)	<i>US\$ million</i>	83.1	91.1	96.5	94.9	97.1
	<i>in percent of GDP</i>	1.8	1.9	1.6	1.5	1.3
	<i>in percent of export of goods and services</i>	3.5	3.8	3.1	3.3	2.9

* - preliminary data

¹ positive balance - "+", negative balance - "-"² including IMF loans

Table 7.

Monetary Policy Instruments (for the period, unless otherwise stated)

	Unit of Measurement	2009	2010	2011	2012	2013
NBKR Credits						
Credits (overnight)	<i>in millions of KGS</i>	635.8	2,656.0	4,050.7	4,912.2	8,095.2
Intraday credits	<i>in millions of KGS</i>	-	-	129.0	680.0	-
Credit auctions*	<i>in millions of KGS</i>	-	-	-	-	900.9
NBKR Discount Rate (end of period)	<i>in percent</i>	0.9	5.5	13.6	2.6	4.2
NBKR Notes						
<i>in millions of KGS</i>						
maturity:						
7 days						
sales volume	<i>in millions of KGS</i>	4,987.6	1,772.5	3,998.4	1,347.8	2,280.0
average yield	<i>in percent</i>	4.8	1.9	6.2	5.6	3.2
14 days						
sales volume	<i>in millions of KGS</i>	7,182.0	1,871.7	6,974.2	2,608.8	1,234.5
average yield	<i>in percent</i>	6.9	2.3	7.7	6.2	3.9
28 days						
sales volume	<i>in millions of KGS</i>	8,346.1	5,279.8	11,889.2	24,591.1	40,847.9
average yield	<i>in percent</i>	7.6	2.8	10.9	6.7	3.6
91 days						
sales volume	<i>in millions of KGS</i>	156.0	-	-	-	-
average yield	<i>in percent</i>	18.4	-	-	-	-
Open Market Transactions						
Direct REPO	<i>in millions of KGS</i>	-	-	-	-	-
Reverse REPO	<i>in millions of KGS</i>	556.8	70.8	2,278.5	7,676.3	3,225.8
NBKR Deposit Transactions in Foreign Currency						
volume	<i>in millions of KGS</i>	21.5	11.0	32.5	1,066.1	174.8
NBKR Foreign Exchange Interventions						
Purchase	<i>in millions of USD</i>	66.8	28.9	120.5	4.8	-
Sale		221.9	263.7	281.2	43.1	14.7
NBKR SWAP Foreign Exchange Transactions						
Purchase	<i>in millions of USD</i>	-	14.7	-	-	-
Sale		-	-	-	-	-
Reserve Requirements						
Reserve requirement ratio (end of period)	<i>in percent</i>	9.5	8.0	9.0	9.0	9.0
Required reserves (annual average)	<i>in millions of KGS</i>	2,904.9	2,744.7	2,802.1	3,513.9	4,488.3
Excess reserves (annual average)	<i>in millions of KGS</i>	1,341.8	1,720.0	1,565.4	2,126.9	2,333.8

“-” - no transactions

* Volume of credits actually extended over the reporting period

Table 8.Interest Rates of Deposits in National Currency (for the period)
(in percent)

	2009	2010	2011	2012	2013
Deposits of Legal Entities					
<i>demand deposits</i> ¹		0.88	1.46	1.35	1.08
<i>time deposits:</i>	7.69	8.83	8.74	8.55	8.42
<i>of which:</i>					
up to 1 month	1.78	4.34	5.86	5.81	4.01
1-3 months	4.90	4.60	5.89	5.49	5.76
3-6 months	8.00	8.42	9.49	6.91	7.09
6-12 months	10.17	10.93	11.69	11.53	11.78
over 1 year	10.25	13.59	11.32	12.50	12.32
Deposits of Individuals					
<i>demand deposits</i>	0.44	0.79	1.00	1.38	1.55
<i>time deposits:</i>	11.24	11.10	11.49	11.29	10.70
<i>of which:</i>					
up to 1 month	4.23	4.75	4.62	4.06	3.79
1-3 months	6.39	5.74	6.26	6.29	5.76
3-6 months	9.50	9.52	9.54	9.74	9.10
6-12 months	12.38	12.28	12.50	12.52	11.90
over 1 year	14.03	13.98	14.27	14.27	13.42
Deposits on Non-Residents ²					
<i>demand deposits</i>		0.02	0.01	0.11	0.18
<i>time deposits:</i>		10.58	10.60	10.43	10.66
<i>of which:</i>					
up to 1 month		6.07	6.79	5.40	5.68
1-3 months		6.24	6.48	6.74	6.23
3-6 months		8.98	9.33	9.32	8.45
6-12 months		11.68	11.25	12.13	11.51
over 1 year		13.93	14.25	14.09	13.04
Average Weighted Rate	2.81	1.96	2.20	2.32	2.33

¹ Starting from January 1st, 2010, demand deposits are shown as a separate category of the deposits of legal entities.

² Starting from January 1st, 2010, deposits of non-residents are shown as a separate item of the deposits of legal entities and individuals.

Table 9.
Interest Rates of Deposits in Foreign Currency (for the period)
(in percent)

	2009	2010	2011	2012	2013
Deposits of Legal Entities					
<i>demand deposits</i> ¹		0.32	0.65	0.28	0.28
<i>time deposits:</i>	6.21	4.77	4.39	4.94	4.06
<i>of which:</i>					
up to 1 month	1.38	3.18	0.92	2.90	1.36
1-3 months	3.66	2.99	2.81	4.48	2.83
3-6 months	6.27	4.45	5.90	3.32	4.37
6-12 months	9.58	6.68	7.40	7.58	5.78
over 1 year	9.91	8.26	7.58	6.41	7.34
Deposits of Individuals					
<i>demand deposits</i>	0.04	0.03	0.01	0.10	0.07
<i>time deposits:</i>	9.36	8.05	7.16	6.96	6.41
<i>of which:</i>					
up to 1 month	2.16	1.99	2.04	1.69	1.54
1-3 months	5.10	4.30	4.01	4.02	3.33
3-6 months	8.64	6.96	6.29	6.40	5.74
6-12 months	11.13	9.85	8.94	8.71	7.97
over 1 year	12.62	11.21	10.53	10.23	9.82
Deposits of Non-Residents ²					
<i>demand deposits</i>		0.01	0.00	0.02	0.03
<i>time deposits:</i>		8.58	8.10	6.93	6.43
<i>of which:</i>					
up to 1 month		2.12	3.72	1.96	1.40
1-3 months		4.50	5.08	4.36	3.16
3-6 months		6.95	6.64	6.39	4.94
6-12 months		9.76	8.44	7.92	7.23
over 1 year		11.31	10.16	8.99	9.14
Average Weighted Rate	1.67	1.13	0.82	0.78	0.77

¹ Starting from January 1st, 2010, demand deposits are shown as a separate category of the deposits of legal entities.

² Starting from January 1st, 2010, deposits of non-residents are shown as a separate item of the deposits of legal entities and individuals.

Table 10.

Interest Rates on Credits of Commercial Banks in National Currency (for the period)

(in percent)

	2009	2010	2011	2012	2013
Average Weighted Rate	26.7	23.7	23.8	23.0	21.3
Industry	25.4	24.8	22.0	22.8	16.9
Agriculture	26.8	23.0	20.2	21.6	19.6
Transportation and communication	27.8	26.0	24.2	23.6	23.8
Trade	27.8	23.9	24.2	23.2	22.0
Procurement and processing	27.0	21.3	20.6	22.4	25.0
Construction	22.5	22.9	21.7	22.7	21.1
Mortgage	20.5	20.7	20.1	21.4	21.2
Consumer credits	29.3	26.8	29.9	27.0	26.5
Other	24.0	23.7	21.7	20.2	19.8
including:					
up to 1 month	27.5	29.1	31.1	31.1	28.8
Industry	19.6	-	18.3	25.0	14.2
Agriculture	26.3	-	26.0	27.9	28.0
Transportation and communication	29.4	-	-	-	-
Trade	30.7	32.0	34.2	33.5	27.4
Procurement and processing	27.0	-	-	-	-
Construction	22.8	32.5	-	20.0	13.0
Mortgage	-	-	-	-	-
Consumer credits	31.9	30.5	31.7	31.1	32.6
Other	25.2	26.6	26.9	22.3	23.5
1-3 months	21.7	29.4	33.9	28.4	20.9
Industry	17.6	27.7	29.7	28.0	18.8
Agriculture	31.0	31.5	28.3	28.9	31.1
Transportation and communication	31.5	30.5	-	42.0	33.3
Trade	25.9	29.4	33.1	25.8	25.8
Procurement and processing	-	-	-	-	30.0
Construction	17.0	25.0	23.3	35.0	13.0
Mortgage	-	-	-	25.0	-
Consumer credits	31.9	33.7	40.9	36.0	32.0
Other	29.9	26.1	23.6	23.2	19.9
3-6 months	26.0	31.2	37.0	26.9	25.8
Industry	28.4	28.5	25.7	29.4	27.0
Agriculture	31.7	31.3	30.5	27.6	29.2
Transportation and communication	25.9	31.4	30.7	29.8	29.7
Trade	26.5	30.5	33.3	28.2	25.1
Procurement and processing	27.0	30.2	20.0	35.0	33.1
Construction	19.9	28.9	29.9	22.5	23.9
Mortgage	32.3	28.0	-	34.0	32.5
Consumer credits	38.4	40.5	45.9	36.8	29.9
Other	25.5	25.5	26.3	21.9	26.7
6-12 months	28.8	27.5	28.1	26.3	25.3
Industry	31.1	27.2	26.8	27.7	21.4
Agriculture	31.8	29.4	24.7	26.5	25.3
Transportation and communication	30.1	30.5	27.5	28.1	27.6
Trade	29.7	27.4	29.1	26.7	25.8
Procurement and processing	26.9	23.6	20.0	25.5	30.0
Construction	24.4	27.4	25.5	25.6	25.4
Mortgage	25.4	24.0	24.1	28.9	29.3
Consumer credits	30.2	29.6	34.1	29.9	29.2
Other	26.7	24.6	22.7	21.5	22.6
over 1 year	26.2	22.4	21.9	21.7	20.2
Industry	28.8	24.6	21.3	21.8	17.3
Agriculture	25.8	21.6	20.0	20.1	18.3
Transportation and communication	30.1	24.8	24.2	23.4	23.4
Trade	27.3	22.6	22.1	22.4	21.4
Procurement and processing	26.9	21.1	20.8	21.9	24.5
Construction	25.0	22.5	21.5	22.5	21.6
Mortgage	20.3	20.7	20.0	21.3	21.0
Consumer credits	28.2	24.2	25.9	23.6	23.5
Other	25.1	23.9	21.6	21.4	19.8

“-” - no transactions

Table 11.

Interest Rates on Credits of Commercial Banks in Foreign Currency (for the period)

(in percent)

	2009	2010	2011	2012	2013
Average Weighted Rate	21.5	19.8	19.6	19.1	17.7
Industry	19.1	18.1	16.5	16.0	13.8
Agriculture	26.5	21.9	21.6	19.9	18.1
Transportation and communication	24.5	21.6	22.1	21.5	17.9
Trade	21.6	20.0	20.8	20.6	18.9
Procurement and processing	18.0	21.4	17.2	20.8	20.2
Construction	18.2	19.1	18.2	13.9	13.2
Mortgage	20.1	19.9	18.1	17.9	17.6
Consumer credits	28.0	25.5	22.0	20.0	18.9
Other	20.2	18.4	16.5	16.2	15.7
including:					
up to 1 month	26.5	29.9	30.5	26.6	25.5
Industry	20.0	14.3	18.0	-	17.0
Agriculture	-	-	-	-	-
Transportation and communication	-	-	-	-	-
Trade	22.6	27.5	29.7	26.5	26.0
Procurement and processing	-	-	-	-	-
Construction	-	-	-	-	10.5
Mortgage	-	-	17.0	-	22.1
Consumer credits	34.0	33.4	32.1	23.4	22.7
Other	18.6	22.2	25.4	21.4	13.4
1-3 months	21.7	21.9	26.0	20.6	16.8
Industry	19.3	21.6	19.3	18.0	18.0
Agriculture	31.5	31.8	27.0	27.7	-
Transportation and communication	-	-	25.0	-	-
Trade	21.4	24.1	26.2	20.7	15.9
Procurement and processing	-	-	-	-	-
Construction	-	14.0	17.0	11.9	23.0
Mortgage	-	17.3	18.0	17.1	22.6
Consumer credits	20.0	32.3	27.6	26.9	18.4
Other	37.7	26.2	22.7	14.7	14.6
3-6 months	18.2	19.4	19.4	16.2	15.0
Industry	16.7	21.3	26.4	18.1	13.3
Agriculture	29.9	26.5	22.4	25.7	24.8
Transportation and communication	30.2	22.0	31.0	26.3	21.0
Trade	18.0	19.1	18.2	15.2	15.4
Procurement and processing	-	30.2	25.2	-	-
Construction	20.0	14.0	22.8	13.5	13.3
Mortgage	-	-	-	19.5	18.2
Consumer credits	22.6	28.1	31.0	19.6	19.8
Other	24.6	23.3	19.1	17.5	16.4
6-12 months	21.9	19.4	18.3	16.1	15.3
Industry	19.3	18.0	17.6	18.7	15.5
Agriculture	29.2	26.8	25.7	22.1	21.9
Transportation and communication	28.6	26.1	24.9	23.0	21.2
Trade	21.8	20.1	18.2	16.4	15.9
Procurement and processing	18.0	-	22.0	24.6	17.9
Construction	22.9	24.3	24.1	13.5	12.3
Mortgage	24.5	20.6	18.2	17.5	17.7
Consumer credits	28.3	23.5	21.1	21.7	20.4
Other	20.8	18.9	19.0	15.7	15.8
over 1 year	22.0	19.8	17.9	17.4	16.3
Industry	19.1	19.1	16.5	15.9	13.8
Agriculture	25.2	20.8	20.7	19.1	17.9
Transportation and communication	23.8	20.9	21.9	21.4	17.8
Trade	22.6	20.1	18.4	17.6	16.5
Procurement and processing	18.0	19.7	16.5	20.7	22.0
Construction	18.1	19.4	17.6	16.3	13.8
Mortgage	19.8	20.0	18.2	17.8	17.3
Consumer credits	26.1	23.4	20.6	19.6	18.7
Other	20.2	18.6	16.1	16.4	16.3

“-” - no transactions

Table 12.

Interest Rates on Credits of Nonbank Financial-Credit Institutions (end of period)
(in percent)

	2009	2010	2011	2012	2013
Microfinance Organizations	34.5	38.8	38.3	34.9	31.0
<i>lent to:</i>					
Industry	32.4	38.8	36.4	32.5	27.9
Agriculture	38.4	39.6	41.5	36.5	31.9
Transportation	39.6	29.3	28.3	26.8	25.2
Communications	26.2	39.5	32.1	30.0	28.0
Trade and commerce	39.6	40.6	37.2	35.7	31.1
Procurement and processing	25.0	27.0	26.4	12.3	13.3
Construction and mortgage	22.2	24.1	27.9	29.9	30.4
Services	40.3	-	41.0	39.2	34.7
Consumer credits	45.5	43.5	41.6	41.7	34.0
Credits to finance and credit institutions	-	21.4	18.9	17.5	18.4
Other	20.2	37.2	37.5	31.5	26.3
Credit Unions	29.6	30.7	29.0	29.1	27.3
<i>lent to:</i>					
Industry	30.3	30.4	31.2	31.1	29.2
Agriculture	28.5	28.4	27.7	28.3	25.8
Transportation and communications	27.0	25.2	27.0	26.8	25.7
Trade and commerce	29.9	31.7	29.5	28.6	28.0
Procurement and processing	28.4	26.0	23.5	28.7	27.0
Construction and mortgage	28.4	27.8	25.2	26.0	25.1
Services	31.6	32.0	28.2	29.6	34.7
Other	33.9	35.9	34.4	33.7	28.7
OJSC "FC CU"	14.6	15.5	15.8	15.9	15.4
SFBR¹	11.2	6.7	-	-	-
<i>lent to:</i>					
Industry	-	7.0	-	-	-
Agriculture	-	-	-	-	-
Transportation and communications	9.6	8.4	-	-	-
Trade and commerce	-	7.0	-	-	-
Construction and mortgage	-	7.0	-	-	-
Other	12.0	6.6	-	-	-
Fund for Development of the KR²	3.5	-	-	-	-

Source: Call Reports of nonbank finance and credit institutions.

¹ License withdrawn by the resolution of the NBKR Board # 40/5 adopted on July 27, 2011.

² Being liquidated following the Decree of the Provisional Government of the Kyrgyz Republic # 31 issued on April 30, 2010.

Table 13.

Annual Average Interest Rate on Interbank Credits
(excluding transactions with non-residents)
(in percent)

	2009	2010	2011	2012	2013
Interbank REPO Transactions	8.3	3.7	9.4	7.7	3.8
up to 1 day	10.4	3.9	9.0	8.1	3.8
2 - 7 days	8.3	3.7	9.4	7.7	3.7
8 - 14 days	7.8	3.7	9.5	7.5	4.3
15 - 30 days	4.8	-	12.0	-	-
31 - 60 days	-	-	-	-	7.5
61 - 90 days	7.0	-	-	-	-
91 - 180 days	-	-	-	-	-
181 - 360 days	-	-	-	-	-
over 360 days	-	-	-	-	-
Interbank Credits in National Currency	7.8	4.5	9.1	7.7	7.2
up to 1 day	11.6	-	10.3	5.0	-
2 - 7 days	9.1	4.8	9.5	7.3	3.9
8 - 14 days	7.8	4.2	9.8	8.3	3.0
15 - 30 days	3.9	5.0	7.0	9.0	6.5
31 - 60 days	13.0	-	10.0	10.1	-
61 - 90 days	5.5	-	-	-	-
91 - 180 days	4.7	-	-	9.6	7.4
181 - 360 days	-	-	-	6.5	7.7
over 360 days	-	-	-	6.5	9.8
Interbank Credits in Foreign Currency	6.0	2.9	3.5	1.6	-
up to 1 day	3.8	-	3.0	3.0	-
2 - 7 days	6.3	2.9	1.0	1.2	-
8 - 14 days	1.8	-	-	0.0	-
15 - 30 days	4.3	-	-	0.0	-
31 - 60 days	-	3.5	5.0	-	-
61 - 90 days	-	-	-	-	-
91 - 180 days	9.7	-	5.0	-	-
181 - 360 days	-	-	-	-	-
over 360 days	-	-	-	-	-

"-" - no transactions

Table 14.**Balance of Payments of the Kyrgyz Republic**
(in millions of US Dollars)

	2009	2010	2011	2012	2013*
Current Account	-184.5	-317.1	-640.9	-1,675.1	-1,820.0
Goods and services	-1,210.1	-1,403.4	-1,820.5	-3,567.2	-3,743.7
Trade balance ¹	-1,119.8	-1,202.2	-1,669.0	-3,210.6	-3,565.2
Export (FOB)	1,693.8	1,778.7	2,267.0	1,954.4	2,048.4
CIS	752.8	784.2	1,019.6	1,126.1	1,026.0
Non-CIS	941.0	994.5	1,247.4	828.3	1,022.4
Import (FOB)	2,813.6	2,980.9	3,935.9	5,165.1	5,613.6
CIS	1,593.7	1,590.2	2,018.3	2,689.4	2,787.1
Non-CIS	1,219.9	1,390.6	1,917.7	2,475.7	2,826.5
Balance of services	-90.3	-201.2	-151.5	-356.6	-178.5
Transportation services	-276.7	-266.6	-332.1	-461.7	-456.6
Travels	129.6	11.5	61.6	84.5	219.5
Other services	87.6	74.6	140.9	41.6	79.2
Technical assistance	-20.5	-20.7	-21.9	-21.0	-20.7
Income	-181.4	-305.1	-659.1	-169.3	-298.2
Income from direct investments	-118.5	-247.9	-610.7	-110.8	-226.7
Income from portfolio investments	4.2	0.2	0.1	0.0	0.0
Income from other investments	-41.4	-25.1	-19.2	-29.7	-41.6
Interests on credits	-44.7	-35.8	-39.7	-46.8	-58.6
Other income from other investments	3.3	10.7	20.4	17.1	17.0
Remuneration of labour	-25.8	-32.3	-29.4	-28.8	-29.9
Current transfers	1,207.1	1,391.3	1,838.7	2,061.5	2,221.9
Official transfers	194.9	78.2	83.3	63.2	67.6
Private transfers	1,012.1	1,313.1	1,755.4	1,998.3	2,153.9
Capital and Financial Account	417.4	424.7	893.8	1,003.1	1,114.9
Capital account	16.3	-11.1	64.1	166.1	292.3
Capital transfers	16.3	-11.1	64.1	166.1	292.3
Financial account	401.0	435.8	829.8	837.0	822.6
Direct investments ¹	189.6	437.6	693.6	292.4	757.6
Portfolio investments	-13.9	27.1	-0.3	5.7	4.9
Financial derivatives	0.0	0.0	0.0	-0.4	-0.1
Other investments	225.3	-28.9	136.5	539.3	60.2
Assets ("-") increase)	-237.5	128.7	-232.1	138.1	-139.8
Commercial banks	-158.2	202.8	-19.1	-8.2	-112.1
Accounts receivable	-7.5	-65.1	-44.5	-28.2	-62.7
Accounts of enterprises abroad	-49.5	-10.8	-163.9	181.3	36.3
Other assets	-22.3	1.8	-4.6	-6.7	-1.3
Liabilities ("+" increase)	462.8	-157.6	368.6	401.2	200.0
Commercial banks	50.4	-225.6	7.3	8.6	-4.7
Credits	321.3	52.2	361.1	324.2	128.5
Credits to public sector	333.9	111.8	171.7	256.1	125.6
Credits to private sector	-12.6	-59.6	189.4	68.1	3.0
Accounts payable	-41.0	15.9	0.2	68.4	76.3
Other liabilities	132.2	0.0	0.0	0.0	0.0
Errors and Omissions	25.0	-30.8	-146.5	861.3	967.1
Total Balance	257.9	76.8	106.4	189.3	261.9
Financing	-257.9	-76.8	-106.4	-189.3	-261.9

* preliminary data

¹ including NBKR estimates

Table 15.

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

	2009	2010	2011	2012	2013*
External Public and Government Guaranteed Debt (1+2+3):	2,502.9	2,646.0	2,825.9	3,100.0	3,159.6
1. Multilateral debt:	1,490.8	1,486.9	1,545.0	1,598.9	1,611.5
World Bank	656.0	649.2	660.4	677.3	683.9
Asian Development Bank	610.1	590.7	609.7	623.2	600.9
International Monetary Fund	167.1	176.2	181.8	190.5	203.0
Islamic Bank of Reconstruction and Development	34.9	46.6	59.9	62.1	64.1
European Bank for Reconstruction and Development	2.1	5.3	16.0	29.6	39.7
International Fund for Agricultural Development	10.1	9.6	9.2	8.9	9.0
Nordic Development Fund	6.9	6.6	5.9	5.8	5.8
Saudi Development Fund	-	-	-	0.2	1.3
OPEC	3.5	2.7	2.0	1.3	3.9
2. Bilateral debt:	1,011.8	1,159.1	1,280.9	1,501.2	1,548.2
2.1. CIS countries:	493.6	505.1	490.5	489.0	300.0
Russia	493.6	505.1	490.3	488.9	300.0
Belarus	-	-	0.1	0.1	-
2.2. Other:	518.2	654.0	790.4	1,012.2	1,248.2
China	46.8	150.8	272.6	527.4	758.0
Japan	302.5	344.8	361.0	361.2	303.6
Germany	76.8	68.6	70.6	78.8	97.1
Korea	14.6	15.0	14.8	15.3	16.4
Kuwait Fund	17.9	16.1	13.3	10.6	17.8
Turkey	49.8	49.5	49.2	10.0	48.6
France	6.4	5.9	5.6	5.6	3.5
Denmark	3.4	3.3	3.3	3.3	3.3
3. Government guaranteed external debt	0.3	-	-	-	-

* preliminary data

"-" - no transactions

Table 16.

Information on Authorized (Shareholders') Capital of Commercial Banks (as of the end of period)
(in millions of KGS)

Bank	2009			2010			2011			2012			2013		
	a	b	c	a	b	c	a	b	c	a	b	c	a	b	c
Total	8,903.0	8,666.0	4,588.1	7,774.7	7,518.6	2,634.3	8,799.4	8,362.4	3,340.3	9,847.9	9,847.9	3,301.9	10,482.8	10,442.3	3,815.4
OJSC "Aiyyl Bank"	560.0	560.0	0.0	560.0	560.0	0.0	600.0	600.0	0.0	600.0	600.0	0.0	600.0	600.0	0.0
OJSC "Amanbank"	300.0	263.0	0.2	300.0	300.0	0.2	300.0	300.0	0.2	372.0	372.0	0.1	372.0	372.0	0.1
CJSC "Bank of Asia"	146.0	146.0	108.8	202.1	146.0	108.8	202.1	201.6	150.2	230.4	230.4	179.0	271.0	230.4	179.0
OJSC "Bakai Bank"	200.0	200.0	0.0	216.0	216.0	0.0	265.2	265.2	0.0	326.5	326.5	0.0	339.9	339.9	0.0
CJSC "BTA Bank"	1,000.0	1,000.0	710.0	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	0.0
CJSC "Demir Kyrgyz International Bank"	132.5	132.5	132.5	132.5	132.5	132.5	132.5	132.5	132.5	132.5	132.5	132.5	132.5	132.5	132.5
OJSC "Dos-Credobank"	242.0	242.0	0.0	270.7	270.7	0.0	270.7	270.7	0.0	270.7	270.7	0.0	270.7	270.7	0.0
OJSC "Kyrgyzdyikanbank"	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OJSC Investment Bank "Issyk-Kul"	271.0	271.0	0.1	271.0	271.0	0.3	271.0	271.0	0.3	271.0	271.0	0.3	271.0	271.0	0.3
OJSC "Kazkommertsbank Kyrgyzstan"	120.5	120.5	114.0	153.5	153.5	147.0	153.5	153.5	147.0	153.5	153.5	147.0	153.5	153.5	147.0
OJSC "Capital Bank"	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	255.0	255.0	0.0	310.1	310.1	0.0
CJSC "Kyrgyz Investment Credit Bank"	440.9	440.9	396.8	471.0	471.0	423.9	813.5	813.5	732.1	829.5	829.5	746.6	861.8	861.8	775.6
OJSC "KyrgyzCreditBank"	300.0	300.0	0.1	300.0	300.0	0.1	300.0	300.0	0.1	300.0	300.0	0.1	300.0	300.0	119.9
OJSC "Commercial Bank KYRGYZSTAN"	160.9	160.9	2.2	160.9	160.9	3.3	420.2	420.2	0.0	521.1	521.1	0.0	622.2	622.2	0.0
CJSC "Manas Bank"	500.0	300.0	300.0	500.0	300.0	300.0	377.7	377.7	377.7	377.7	377.7	377.7	377.7	377.7	377.7
CJSC "Microfinance Bank "Bai-Tushum and Partners"	-	-	-	-	-	-	-	-	-	615.0	615.0	245.1	715.0	715.0	329.9
OJSC "Optima Bank"	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
OJSC "Rosinbank"	-	-	-	40.9	40.9	0.0	40.9	40.9	0.0	40.9	40.9	0.0	40.9	40.9	36.8
OJSC "RSK Bank"	844.0	844.0	0.0	844.0	844.0	0.0	1,244.0	844.0	0.0	1,244.0	1,244.0	0.0	1,244.0	1,244.0	0.0
CJSC JSCB "Tolubai"	125.0	125.0	2.3	144.0	144.0	2.5	200.0	163.5	2.9	200.0	200.0	3.4	235.0	235.0	3.9
OJSC "FinanceCreditBank KAB"	300.0	300.0	0.0	300.0	300.0	0.0	300.0	300.0	281.7	300.0	300.0	54.5	300.0	300.0	54.5
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
OJSC "EcolIslamicBank"	372.4	372.4	0.0	372.4	372.4	0.0	372.4	372.4	0.0	372.4	372.4	0.0	387.4	387.4	0.0
Bishkek Branch of the National Bank of Pakistan	131.1	131.1	131.1	201.5	201.5	201.5	201.5	201.5	201.5	201.5	201.5	201.5	201.5	201.5	201.5

Data of commercial banks

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

'Licenses #020 and 020/1, authorizing to perform banking operations in the national currency and foreign currencies were restored and issued to OJSC "Kyrgyzdyikanbank" on October 28, 2013, due to its rehabilitation.

Table 17.

Consolidated Regulative Report of Commercial Banks of the KR
(in millions of KGS)

	2009	2010	2011	2012	2013*
ASSETS					
Cash assets	3,738.7	3,870.5	6,305.3	8,114.2	8,705.2
Correspondent account in NBKR	5,446.1	5,513.7	5,274.2	6,650.3	6,685.5
Correspondent accounts in other banks	16,790.9	7,437.9	7,905.6	7,691.7	11,157.9
Deposits in other banks	2,128.0	4,024.9	1,729.9	3,240.4	5,649.6
Securities portfolio	7,668.2	4,267.6	5,785.5	8,892.3	10,285.0
Securities purchased on REPO agreements	300.1	101.8	245.2	819.3	584.4
Net credits and financial lease	24,253.6	23,871.6	30,209.9	39,477.8	54,672.8
Credits and financial lease to finance and credits institutions ¹	796.2	1,064.5	1,596.7	2,124.9	3,724.6
Credits and financial lease to clients ²	25,214.2	26,382.0	31,217.1	40,105.4	53,961.6
(less) Special LLP on credits and financial lease	-1,756.9	-3,574.9	-2,603.9	-2,752.5	-3,013.3
Fixed assets	4,109.5	4,482.9	4,860.0	5,396.8	6,033.8
Investments and financial share	127.2	77.2	70.4	88.8	149.4
Other assets	9,171.2	7,214.7	5,151.3	7,074.8	7,168.3
TOTAL: ASSETS	73,733.5	60,862.6	67,537.4	87,446.5	111,092.0
LIABILITIES					
Liabilities to the NBKR	2.8	31.0	905.2	739.0	850.2
Settlement accounts and deposits of banks	3,830.7	2,068.8	1,685.6	2,743.9	3,908.6
Resident banks	457.6	22.8	20.4	980.1	1,296.1
Non-resident banks	3,373.0	2,046.0	1,665.2	1,763.8	2,612.5
Settlement accounts	11,677.1	13,482.9	13,068.5	18,507.1	21,309.9
Settlement accounts of finance and credit institutions	13.8	282.7	463.7	988.3	1,129.8
Settlement accounts of clients ³	11,663.2	13,200.3	12,604.8	17,518.8	20,180.1
Demand deposits	3,802.3	5,417.9	8,225.0	11,138.2	15,222.6
Demand deposits of finance and credit institutions	320.4	708.2	1,028.5	1,164.0	1,860.4
Demand deposits of clients ³	3,482.0	4,709.8	7,196.5	9,974.2	13,362.2
Time deposits	7,592.6	8,664.5	10,803.8	14,000.8	22,048.6
Time deposits of finance and credit institutions	431.6	493.7	302.7	412.7	550.1
Time deposits of clients ³	7,161.0	8,170.8	10,501.1	13,588.1	21,498.5
Deposits of non-residents ⁴	10,258.3	1,804.0	1,814.4	2,199.9	2,719.8
Deposits of the Government	6,274.1	4,695.7	4,763.6	4,805.3	6,033.3
Credits of the Government	1,425.8	1,234.7	1,510.5	1,629.6	1,566.6
Securities sold on REPO agreements	300.1	199.7	82.4	23.5	0.0
Received loans	4,368.8	3,690.1	4,691.6	8,403.1	9,113.7
Other liabilities	9,873.2	7,762.2	6,262.4	7,238.1	9,516.1
TOTAL: LIABILITIES	59,405.8	49,051.5	53,812.9	71,428.6	92,289.4
CAPITAL					
Stock capital	8,710.7	7,792.1	8,680.2	9,756.7	10,848.4
Reserves for future need of the bank	584.5	509.3	644.6	751.7	862.6
Undistributed revenues of past years	4,004.7	2,667.1	3,173.4	4,057.0	5,053.3
Revenues/Losses of the current year	291.2	143.5	559.8	900.2	1,327.1
Revaluation account	736.5	699.1	666.4	552.3	711.1
TOTAL: CAPITAL	14,327.7	11,811.2	13,724.4	16,017.9	18,802.5
TOTAL: LIABILITIES and CAPITAL	73,733.5	60,862.6	67,537.4	87,446.5	111,092.0

* preliminary data

Note: New report structure adopted since 2009.

¹ includes loans to banks and other financial-credit institutions, resident and non-resident.

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

³ includes accounts of legal entities and individuals.

⁴ includes accounts of financial-credit institutions, legal entities and individuals.

Table 18.
Information on Head Offices and Branches of Commercial Banks as of the end of 2013

Bank	Head Office Location	Total Branches	Branches								Chui Oblast
			Bishkek	Batken Oblast	Jalal-Abad Oblast	Issyk-Kul Oblast	Naryn Oblast	Osh Oblast	Talas Oblast	15	
		287	56	19	46	38	20	53	15	40	
Total branches											
Branches of resident banks											
OJSC "AiyI Bank"	Bishkek	30	2	4	6	3	2	6	2	5	
OJSC "Amanbank"	Bishkek	17	2	1	1	3	1	5	1	3	
CJSC "Bank of Asia"	Bishkek	7	3	-	1	1	-	1	-	1	
OJSC "Bakai Bank"	Bishkek	7	-	-	1	1	1	1	1	2	
CJSC "BTA Bank"	Bishkek	14	2	1	2	3	-	4	-	2	
CJSC "Demir Kyrgyz International Bank"	Bishkek	7	4	-	1	-	-	2	-	-	
OJSC "Dos-Credobank"	Bishkek	10	1	-	1	2	2	1	1	2	
OJSC "Kyrgyzdyikanbank"	Bishkek	-	-	-	-	-	-	-	-	-	
OJSC Investment Bank "Issyk-Kul"	Bishkek	6	2	-	1	2	-	1	-	-	
OJSC "Kazkommertsbank Kyrgyzstan"	Bishkek	3	2	-	-	-	-	1	-	-	
OJSC "Capital Bank"	Bishkek	-	-	-	-	-	-	-	-	-	
CJSC "Kyrgyz Investment Credit Bank"	Bishkek	11	2	1	2	1	1	3	-	1	
OJSC "KyrgyzCreditBank"	Bishkek	3	3	-	-	-	-	-	-	-	
OJSC "Commercial Bank KYRGYZSTAN"	Bishkek	34	6	2	8	3	3	6	1	5	
CJSC "Manas Bank"	Bishkek	1	-	-	-	-	-	1	-	-	
CJSC "Microfinance Bank "Bai-Tushum and Partners"	Bishkek	7	1	1	1	1	1	1	1	-	
OJSC "Optima Bank"	Bishkek	14	6	-	1	3	-	1	1	2	
OJSC "Rosinbank"	Bishkek	36	7	3	7	5	3	4	2	5	
OJSC "RSK Bank"	Bishkek	51	3	5	10	7	5	9	4	8	
CJSC JSCB "Tolubai"	Bishkek	2	2	-	-	-	-	-	-	-	
OJSC "FinanceCreditBank KAB"	Bishkek	6	-	-	1	1	1	2	-	1	
OJSC "Halyk Bank Kyrgyzstan"	Bishkek	9	4	-	1	1	-	2	-	1	
OJSC "EcolIslamicBank"	Bishkek	12	4	1	1	1	-	2	1	2	
Non-resident bank branches											
Bishkek Branch of the National Bank of Pakistan ¹	Karachi	-	-	-	-	-	-	-	-	-	

¹The branch of non-resident bank was included in the Register of Issued Banking Licences on April 24, 2000, authorizing to perform banking operations

"-" - no branches

Table 19.
Cash Turnover in Commercial Banks and its Collectability in 2013
(in millions of KGS)

	Receipt				Issue					Excess of Issue (receipt) over Receipt (9-4) (issue) (+/-)	Collectability (%) (4/9)
	Taxes, customs duties and fees	Sales of forex	Other	Total	To Treasury for salary payments	For payment of pensions and benefits	For purchase of forex	For other expenditures	Total		
Total for the Republic	29,961.2	96,428.1	677,803.1	804,192.4	22,296.4	18,411.0	156,744.7	622,621.9	820,074.0	15,881.6	98.1
Bishkek City	12,860.2	79,264.6	339,440.8	431,565.6	5,694.1	550.3	89,381.9	324,359.1	419,985.4	11,580.2	102.8
Batken Oblast	485.2	509.1	30,999.7	31,994.0	1,891.9	1,617.4	6,825.5	23,219.4	33,554.2	1,560.2	95.4
Jalal-Abad Oblast	592.9	3,559.8	73,762.6	77,915.3	3,567.7	3,598.3	20,552.3	61,531.4	89,249.7	11,334.4	87.3
Issyk-Kul Oblast	353.4	1,009.8	31,959.9	33,323.1	1,526.7	1,883.9	3,441.3	30,638.5	37,490.4	4,167.3	88.9
Naryn Oblast	77.2	212.5	12,561.0	12,850.7	1,328.8	2,206.6	563.6	12,505.9	16,604.9	3,754.2	77.4
Osh City	4,401.0	7,247.8	104,811.7	116,460.5	1,492.7	1,017.7	19,549.6	93,933.6	115,993.6	-466.9	100.4
Osh Oblast	751.0	1,508.6	33,805.7	36,065.3	3,211.6	3,259.9	9,087.8	22,173.7	37,733.0	1,667.7	95.6
Talas Oblast	156.7	617.1	12,907.9	13,681.7	812.9	834.6	1,617.3	15,932.8	19,197.6	5,515.9	71.3
Chui Oblast	10,283.6	2,498.8	37,553.8	50,336.2	2,770.0	3,442.3	5,725.4	38,327.5	50,265.2	-71.0	100.1
<i>NBKR data</i>											

Table 20. Pattern of Payments in the Gross System of Settlements

	2009		2010		2011		2012		2013	
	Volume, in mln of KGS	Number								
payments below KGS 1 thousand	3	9,881	3	9,780	4	10,588	4	10,589	5	10,982
from KGS 1 to 100 thousand	1,264	43,624	1,333	47,662	1,419	52,575	1,607	60,838	1,797	70,277
from KGS 100 thousand to KGS 1 million	9,715	23,333	11,143	26,467	14,070	32,877	15,343	35,383	18,174	41,370
from KGS 1 million to KGS 10 million	80,121	24,545	84,306	25,878	103,549	32,045	119,019	37,599	137,931	43,872
from KGS 10 million to KGS 100 million	191,641	7,005	170,059	6,250	225,349	7,896	258,968	8,680	288,134	9,552
payments above KGS 100 million	134,887	624	116,140	576	175,236	760	213,231	970	305,314	1,206
Total	417,632	109,012	382,985	116,613	519,628	136,741	608,171	154,059	751,355	177,259

NBKR data

Table 21. Volume and Number of Clearing Transactions by Regions

	2009		2010		2011		2012		2013	
	Volume, in mln of KGS	Number of payments	Volume, in mln of KGS	Number of payments	Volume, in mln of KGS	Number of payments	Volume, in mln of KGS	Number of payments	Volume, in mln of KGS	Number of payments
Bishkek City and Chui Oblast	42,279	2,095,196	40,712	1,028,101	44,244	1,053,947	50,725	1,680,954	60,661	1,988,223
Batken Oblast	2,267	235,995	2,490	59,164	2,762	43,100	2,921	58,765	3,915	77,628
Jalal-Abad Oblast	4,779	350,287	4,976	122,639	5,682	96,941	5,817	122,063	6,143	126,271
Issyk-Kul Oblast	3,213	192,336	2,957	79,917	3,828	75,469	4,406	105,556	5,117	143,736
Naryn Oblast	1,316	67,195	1,356	37,379	1,636	46,321	2,096	51,572	2,739	58,531
Osh Oblast and Osh City	6,130	237,077	4,864	125,901	6,180	118,889	6,982	160,910	7,883	181,981
Talas Oblast	893	118,475	987	37,977	1,153	24,393	1,266	24,365	1,670	37,930
Total	60,877	3,296,561	58,341	1,491,078	65,484	1,459,060	74,213	2,204,185	88,127	2,614,300

NBKR data

Table 22. Information on Transactions with Payment Cards in POS (Point of Sale)

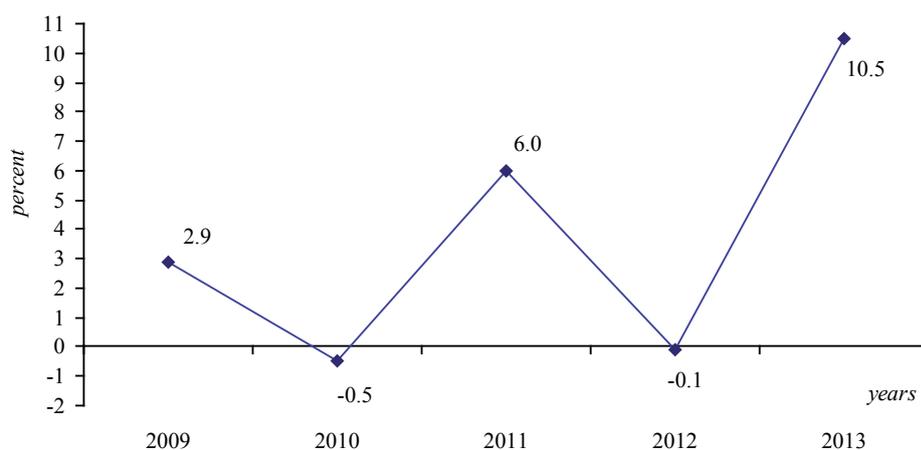
Card type	2009		2010		2011		2012		2013	
	Number of transactions	Volume, in thous. of KGS	Number of transactions	Volume, in thous. of KGS	Number of transactions	Volume, in thous. of KGS	Number of transactions	Volume, in thous. of KGS	Number of transactions	Volume, in thous. of KGS
Elcard	17,252	4,232	8,015	1,918	5,776	4,067	15,540	9,134	30,423	19,710
Zolotaya Korona (Alai-Card)	38,272	42,164	28,442	15,009	40,821	21,634	99,879	40,455	299,006	52,987
Demir 24	3,442	1,918	-	-	-	-	-	-	-	-
Visa	48,508	148,033	66,935	345,435	242,881	884,107	393,377	1,228,983	671,377	1,877,463
Master Card	6,813	58,477	6,267	110,162	10,000	187,243	9,995	185,732	12,350	204,772
American Express	-	-	-	-	1,002	30,139	2,436	72,203	2,479	80,046
China Union	-	-	-	-	-	-	-	-	-	3

Data of commercial banks

"- " - no transactions

Chart 1.

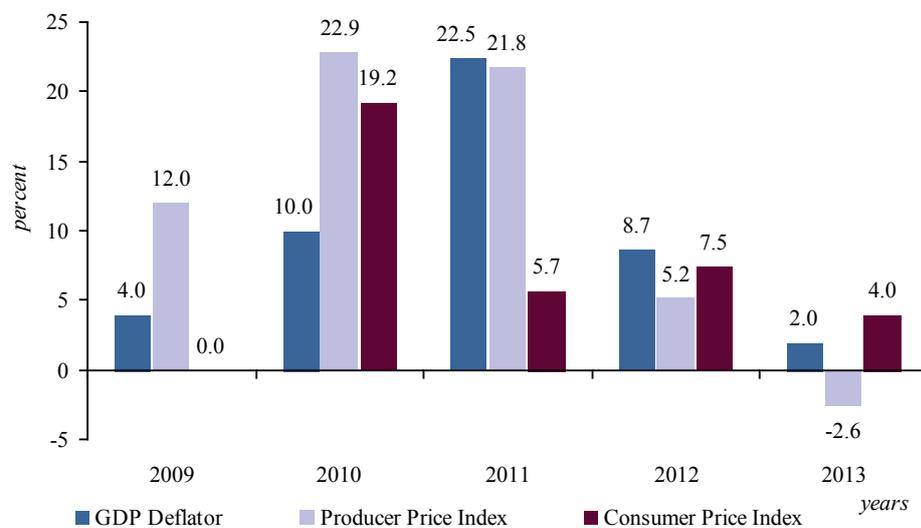
Rates of Growth of Real Gross Domestic Product



NSC KR data

Chart 2.

Rates of Growth of Consumer and Producer Prices



NSC KR data

Chart 3.
Monetary Aggregates M2X Structure

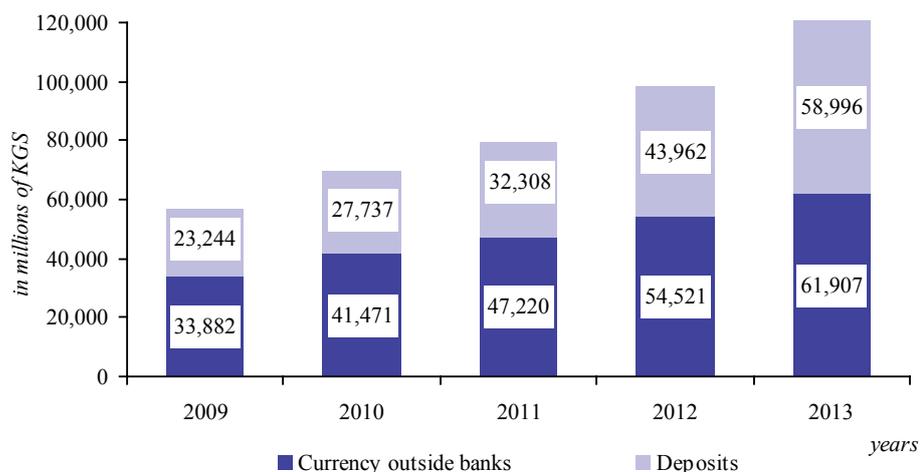
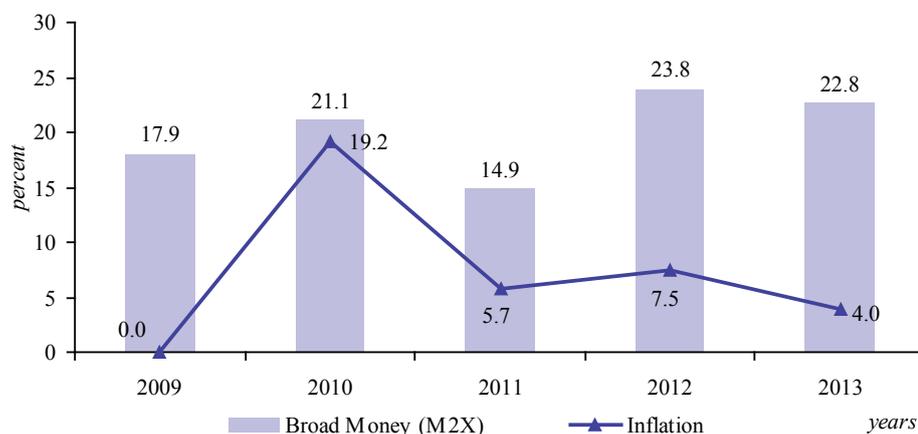


Chart 4.
Rates of Growth of Money Supply and Inflation



Data of NSC KR, NBKR and commercial banks

Chart 5.
Structure of Deposit Base in Commercial Banks (end of period)

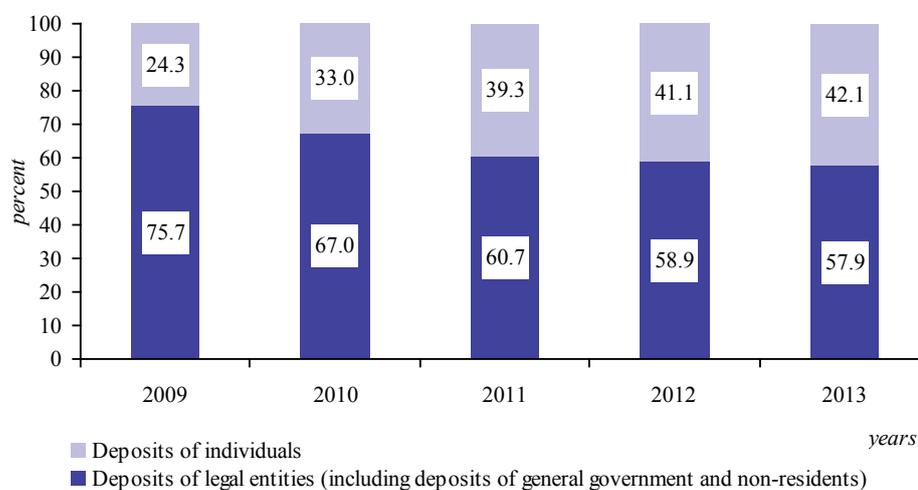
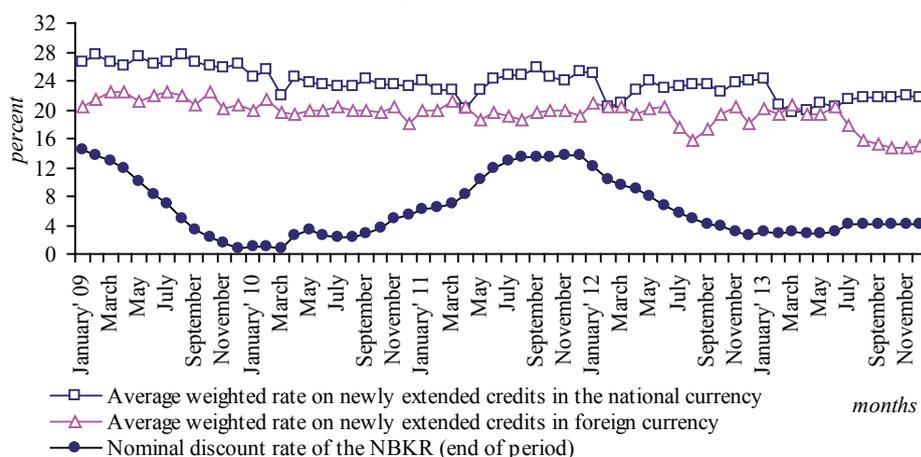


Chart 6.

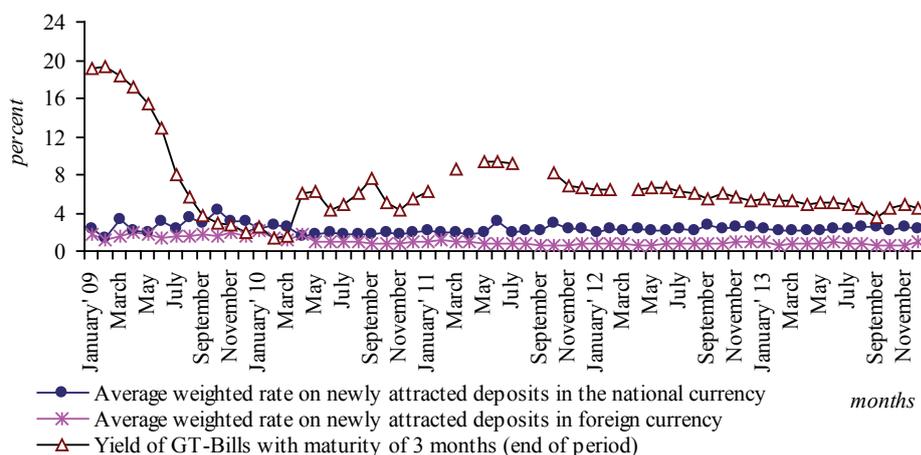
Interest Rates on Credits Granted by Commercial Banks and Discount Rate of the NBKR



Data of monthly regulatory reporting of commercial banks

Chart 7.

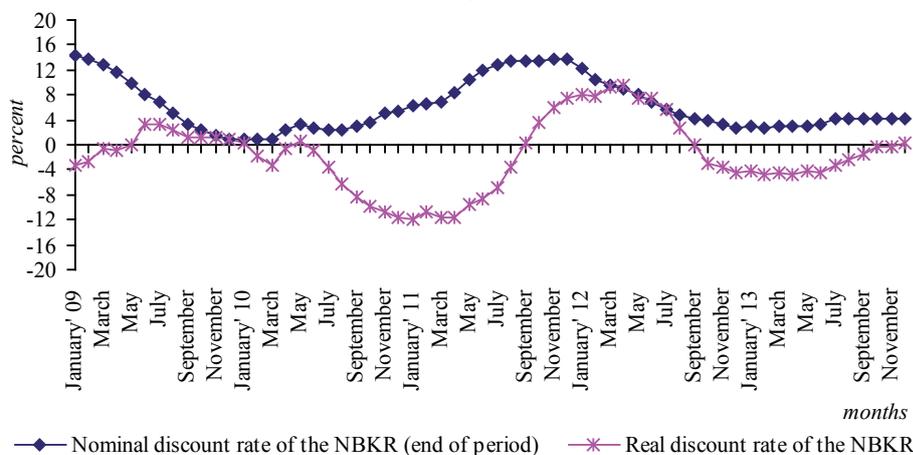
Interest Rates of Deposits and Yield of GT-Bills



NBKR data and monthly regulatory reporting of commercial banks

Chart 8.

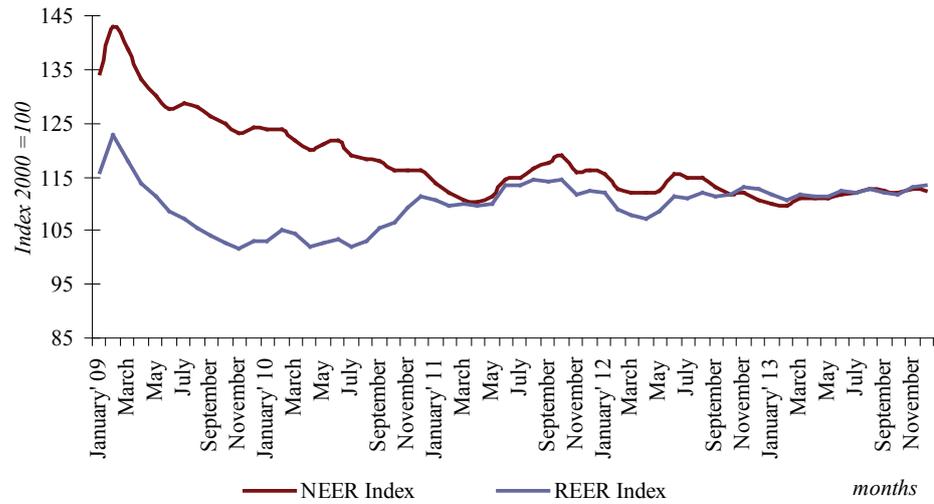
Nominal and Real Discount Rate Developments



NBKR data

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

Chart 9.
Indices of Nominal and Real Effective Exchange Rates



* NBKR data

NBKR Periodical Publications and Other Information Tools

No	Title	Language of Publication	Frequency	Contents	Distribution
1	2	3	4	5	6
1.	Bulletin of the National Bank of the Kyrgyz Republic	Kyrgyz, Russian, and English	Monthly	Statistical data on major economic and financial indicators. For preparation of the bulletin the materials of the National Statistical Committee, Ministry of Finance, commercial banks, Financial Market Supervision and Regulation Service of the Kyrgyz Republic and NBKR data are used.	The Jogorku Kenesh of the Kyrgyz Republic, the Administration of the President of the Kyrgyz Republic, the Government Office of the Kyrgyz Republic, the Supreme Court of the Kyrgyz Republic, ministries and agencies, commercial banks, nonbank financial-credit institutions, higher educational institutions and libraries of the Kyrgyz Republic, international financial institutions, central banks of CIS countries, integration institutions, diplomatic Missions of the Kyrgyz Republic abroad, representative offices of international organizations, and embassies of countries accredited in the Kyrgyz Republic.
2.	Annual Report of the National Bank of the Kyrgyz Republic	Kyrgyz, Russian, and English	Annually	The comprehensive progress report of the National Bank for the reporting year, containing the concise description of the outcome of developments in the real sector of the economy, the description of the decisions and actions of the National Bank in the monetary sphere. Includes information on economic development, monetary policy, financial statements and general information on the National Bank, as well as statistical appendices.	The Jogorku Kenesh of the Kyrgyz Republic, the Administration of the President of the Kyrgyz Republic, the Government Office of the Kyrgyz Republic, the Supreme Court of the Kyrgyz Republic, ministries and agencies, commercial banks, non-bank financial and credit institutions, higher educational institutions and libraries of the Kyrgyz Republic, international financial institutions, central banks of CIS countries, integration institutions, diplomatic Missions of the Kyrgyz Republic abroad, representative offices of international organizations, and embassies of countries accredited in the Kyrgyz Republic.

1	2	3	4	5	6
3.	Statutory Acts of the National Bank of the Kyrgyz Republic	Kyrgyz, Russian	Monthly	Regulations, instructions and other regulatory acts adopted by the NBKR.	The Jogorku Kenesh of the Kyrgyz Republic, the Administration of the President of the Kyrgyz Republic, the Government Office of the Kyrgyz Republic, commercial banks, financial-credit institutions, the courts of the Kyrgyz Republic, ministries and agencies, higher educational institutions and libraries of the Kyrgyz Republic.
4.	Inflation Report in the Kyrgyz Republic	Kyrgyz, Russian, and English	Quarterly	The description of the dynamics of consumer prices in the country and its regions, the analysis of the basic inflation factors. The publication provides information on the decisions of the NBKR on monetary policy and inflation forecast for the upcoming period.	The Jogorku Kenesh of the Kyrgyz Republic, the Administration of the President of the Kyrgyz Republic, the Government Office of the Kyrgyz Republic, higher educational institutions and libraries of the Kyrgyz Republic.
5.	The Balance of Payments of the Kyrgyz Republic	Kyrgyz, Russian, and English	Quarterly	The publication reflects the recent external sector development trends and contains statistical data on the balance of payments, foreign trade, international reserves, external debt and international investment position, as well as meta data and information base used to compile the balance of payments.	The Jogorku Kenesh of the Kyrgyz Republic, the Administration of the President of the Kyrgyz Republic, the Government Office of the Kyrgyz Republic, higher educational institutions and libraries of the Kyrgyz Republic.

1	2	3	4	5	6
6.	Press Release of the National Bank of the Kyrgyz Republic	Kyrgyz, Russian	Weekly	Efficiently information on official exchange rates set by the National Bank of the Kyrgyz Republic, the results of inter-bank currency auctions, the situation on market of ST-Bills and NBKR Notes, the discount rate of the National Bank, brief analytical materials on basic directions of the NBKR activities, as well as the chronicle of events in the National Bank.	The Jogorku Kenesh of the Kyrgyz Republic, the Administration of the President of the Kyrgyz Republic, the Government Office of the Kyrgyz Republic, the Supreme Court of the Kyrgyz Republic, ministries and agencies, commercial banks, nonbank financial-credit institutions, higher educational institutions and libraries of the Kyrgyz Republic, international financial institutions, central banks of CIS countries, integration institutions, Mass Media.
7.	Financial Sector Stability Report of the Kyrgyz Republic	Kyrgyz, Russian, and English	Semi-annually	The main objective of the publication is to inform the public about the risks, threats and imbalances in the economy that might have an adverse impact on the financial intermediation system as a whole. The report reflects the NBKR's evaluation of foreign and domestic economic factors influencing the financial stability, the conditions of banks and other financial intermediator institutions, as well as the analysis of the current state of affairs in the financial markets and the stability of financial sector of Kyrgyzstan.	The Jogorku Kenesh of the Kyrgyz Republic, the Administration of the President of the Kyrgyz Republic, the Government Office of the Kyrgyz Republic, ministries and agencies, commercial banks, nonbank financial-credit institutions, higher educational institutions and libraries of the Kyrgyz Republic, international financial institutions, central banks of CIS countries, integration institutions, diplomatic Missions of the Kyrgyz Republic abroad, representative offices of international organizations, and embassies of countries accredited in the Kyrgyz Republic.
8.	Information booklets and instructions	Kyrgyz, Russian	Updated according to work plans of Structural Units	Informational brochures and methodological manuals are published on the various lines of the NBKR activities.	The Jogorku Kenesh of the Kyrgyz Republic, the Administration of the President of the Kyrgyz Republic, the Government Office of the Kyrgyz Republic, the Supreme Court of the Kyrgyz Republic, ministries and agencies, commercial banks, nonbank financial-credit institutions, higher educational institutions and libraries of the Kyrgyz Republic.

1	2	3	4	5	6
9.	Official web-site of the NBKR www.nbkr.kg	Kyrgyz, Russian, and English	Updated in real-time mode	Information on the activities of the NBKR, including: information on banking legislation, regulatory legal acts of the NBKR governing monetary policy, the activities of commercial banks and other FCIs, on the organization of payment system and cash turnover, and draft documents brought to discussion, regularly updated list of commercial banks and nonbank FCIs, licensed by the National Bank, documents on the procedure of establishing FCIs, as well as information on tariffs for services provided by commercial banks. The site also hosts: review materials on the system of commercial banks and nonbank financial sector; statistics on the monetary survey, external economic indicators, balance of payments, international reserves, external debt and international investment position of the country; information on the history of the national currency; information and analytical materials and the Internet versions of the official publications of the National Bank: "Bulletin of the NBKR", "Annual Report", "Inflation Report", "Financial Sector Stability Report of the Kyrgyz Republic", "Balance of Payments of the Kyrgyz Republic", "Press Release of the NBKR", updated according to the frequency of each publication.	Open (public) access to information

1						
2						
3						
4						
5	Special section contains information for consumers of financial services, regulatory acts on anti-corruption activities, the Program and Action Plan on anti-corruption measures taken in the NBKR, helpline for corruption issues settlement. The information on transactions involving the NBKR, the official exchange rate and the discount rate set by the National Bank, and the chronicle of events in the NBKR are updated in real-time mode. Such frequently searched information as official foreign exchange rates, discount rate of the NBKR, rates on credits extended by the NBKR, information on average weighted interest rate on loans extended by commercial banks and NFCI, interest rates of FCI on consumer loans and mortgage, procedure of recruitment, traineeship and practical training in the NBKR, vacancies and other contests carried out by the National Bank are posted in the form of stickers and direct links to the corresponding sections on the home page of the NBKR official website.					
6						

1	2	3	4	5	6
10.	Radio Program “Uluttuk Bank Bildiret” (The National Bank Information)	Kyrgyz, Russian	Twice a week	Interviews with the NBKR Experts on current issues of the monetary policy and banking legislation, on implementation of the strategic government programs for the development of banking sector, payment systems, micro-financing market. Answers to frequently asked questions of the citizens are covered under the heading “The NBKR Public Chamber Answers Your Questions”.	Broadcast on Radio “Birinchi Radio” (The First Radio)
11.	TV Program “Natsbank Soobshaet” (The National Bank Information)	Kyrgyz, Russian	Twice a month	Coverage of major events in the NBKR activities. Interview with the NBKR Experts on the current issues of the monetary policy, banking and payment system, banking legislation.	Broadcast on TV Channel “EITR”

Appendix 4
to the NBKR Report for 2013

List of Abbreviation

ADB	Asian Development Bank
AFI	Alliance for Financial Inclusion
ATS	Automated Trade System
BCS	Bulk Clearing System
CAMELS	Commercial Banks Ratings System
CB	Central Bank
CIFRS	Committee for International Financial Reporting Standards
CIIFRS	Committee for Interpretation of International Financial Reporting Standards
CIS	Commonwealth of Independent States
CJSC	Closed Joint Stock Company
CMR	Committee for Monetary Regulation
CPI	Consumer Price Index
CTF/ALM	Counter-Terrorism Financing and Anti-Money Laundering
CT MoF KR	Central Treasury of the Ministry of Finance of the Kyrgyz Republic
CU	Credit Union
FL	Fuels and Lubricants
EBRD	European Bank for Reconstruction and Development
ECF	Extended Credit Facility of the IMF
ESAS	Electronic Statistical Database and Analytical Statements System
ESCAP	Economic and Social Commission for Asia and Pacific
EurAsEC	Eurasian Economic Community
FAO	Food and Agricultural Organization of the United Nations
FATCA	Foreign Account Tax Compliance Act
FCCU	Financial Company of Credit Unions
FCI	Finance and Credit Institution
FRG	Federal Republic of Germany
FOB	Price at the Frontier of Country-Exporter (free on board)
FPAS	Forecasting and Policy Analysis System
FSAP	Financial Sector Assessment Program
GDP	Gross Domestic Product
GIZ	German International Center
GS	Government Securities
HEI	Higher Educational Institution
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IIA	Institute of Internal Auditors
IMF	International Monetary Fund
IR	International Reserves
ISB	Interstate Bank
KR	Kyrgyz Republic
LLP	Loan Loss Provisions
MCA	Microcredit Agency
MCC	Microcredit Company
MFC	Microfinance Company
MFO	Microfinance Organization
MoF KR	Ministry of Finance of the Kyrgyz Republic
MP	Monetary Policy
MRR	Mandatory Reserve Requirement

LLC	Limited Liability Company
NBKR	National Bank of the Kyrgyz Republic
NFCI	Nonbank Financial-Credit Institutions
NEER	Nominal Effective Exchange Rate
NSC	National Statistical Committee
OJSC	Open Joint Stock Company
OPEC	Organization of Petroleum Exporting Countries
PRBR	Periodic Regulatory Bank Reports
PPI	Program of Public Investments
PS	Payment System
RD	Regional departments of NBKR
REER	Real Effective Exchange Rate
RLA	Regulatory Legal Act
ROA	Return on Assets
ROE	Return on Equity
RTGSS	Real Time Gross Settlement System
SBRF	Special Banks Refinancing Fund
SCO	Shanghai Cooperation Organization
SDR	Special Drawing Rights
SECO	Swiss Cooperation Office in the Kyrgyz Republic
SFCI	Specialized Finance and Credit Institution
SNB	Swiss National Bank
SRW	Scientific and Research Work
ST (GT)-Bill	Government Treasury Bill
ST (GT)-Bill(s)	Government Treasury Bill for Settlement
ST (GT)-Bond	Government Treasury Bond
SWIFT	Society for Worldwide Interbank Financial Telecommunications
TO	Treasury Obligations
ULE	Union of Legal Entities
USA	United States of America
UNDP	United Nations Development Program
VAT	Value Added Tax
WB	World Bank