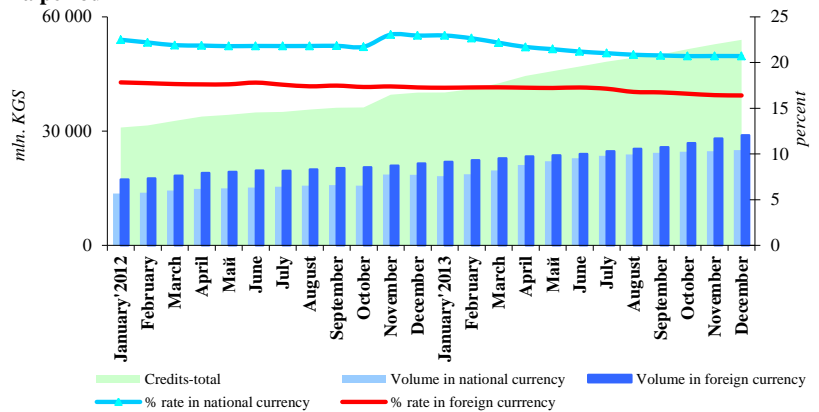


Credits (9 months of 2013)

In January-September 2013, banks continued to build the credit portfolio due to decrease in the interest rates of both on KGS and foreign currency borrowings. One of the features of the growth of the total credits portfolio of banks in the reporting period was a significant increase in the volume of credits for agriculture, made possible, in particular, as a result of the implementation of measures on state support of the sector.

Chart 1. Dynamics of credits, issued by the commercial banks over a period

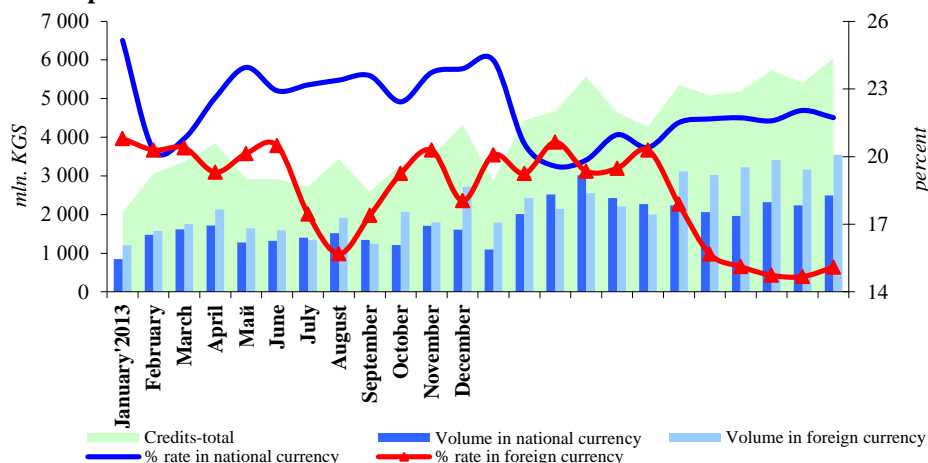


At the same time, in the reporting period there was a slight deterioration in the quality characteristics of the credit portfolio of the banking system. Thus, the increase in the share of overdue debts amounted to 3.5 percent of the total credit portfolio; in quantitative terms, the volume of such credits increased since the beginning of the year by 36.9 percent. The share of extended credits in the total credit portfolio decreased by 0.6 percentage points and constituted 3.3 percent.

This year, the state launched the project “Financing of agriculture”, the aim of which was to provide state support to agricultural producers of the country for the timely conduct of spring field works and further development of animal husbandry and processing sector in agriculture. According to the terms of the project, the government subsidizes commercial banks and specialized financial and credit institutions for the placement of privileged credits at a rate of 10 percent per annum from the national budget. At the end of September, the total credit debt for the project was 2.8 billion KGS or 5.5 percent of total bank credit portfolio.

The credit portfolio of commercial banks at the end of September 2013 amounted to 50.1 billion KGS having increased since the beginning of the year by 24.9 percent (taking into account the adjustments for the change in the exchange rate, the credit portfolio grew by 26.6 percent). At the same time, the KGS credit portfolio increased by 30.9 percent and constituted 24.3 billion KGS. The volume of credits in foreign currencies at the end of September amounted to 25.8 billion in KGS equivalent, exceeding the corresponding figure at the beginning of the year by 19.8 percent (based on the strengthening of the US dollar, the increase constituted 22.9 percent).

Chart 2. Dynamics of credits, issued by the commercial banks over a period



In January-September 2013, the weighted average interest rate on bank credits in the national currency decreased by 0.3 percentage points to 21.6 percent; and in foreign currency the rate was 17.1 percent (-0.5 percentage points).

At the end of the reporting period, the credit portfolio of banks by sectors was as follows. The share of credits for trade, which took the most part of the credit portfolio, decreased by 2.9 percentage points (to 37.0 percent). Besides, the share of other credits decreased to 9.3 percent (-1.1 percentage points) and consumer credits from 9.4 to 9.1 percent. The decrease also affected the credits for social services, the share of which fell to 1.5 percent. The share of credits for communication sector decreased by 0.1 percent and constituted 0.1 percentage points. However, the share of credits for agriculture sector (by 2.6 percentage points to 17.8 percent), housing (0.3 percentage points to 9.9 percent), industry (1.6 percentage points to 7.2 percent) and construction (by 2.6 percentage points to 17.8 percent) increased. The share of credits for transport and harvesting and processing has not changed since the beginning of the year amounting to 2.4 and 0.2 percent respectively.

In turn, the portfolio of most banks remained highly concentrated in certain industries. Thus, the index showing the concentration of credit portfolio of banks in sectors constituted 0.42, which indicates to the distribution of credits of most of the banks mainly between the two sectors. In addition, the concentration of credits separately in each sector was also high: in 7 out of 11 sectors, the index value constituted 0.18, which indicates to the presence of a small number of banks in these sectors.

The total concentration index of the credit market remained at the level of 0.09, which is equivalent to division of the market between 10 banks.

In the time structure of the credit portfolio of banks there was a decline in credits for a period from 1 to 3 months. Thus, due to the reduction of the total share of short-term credits (up to one year) from 22.8 to 18.2 percent, and the increase in the share of overdue debts from 3.3 to 3.5 percent, the share of long-term credits increased from 73.9 to 78.3 percent. Such adjustment of time structure of the credit portfolio, in turn, led to an increase in the index of duration from 27.6 to 28.8 months

The volume of newly issued billion KGS, which is by 56.4 percent higher than the amount issued in the same period of 2012. Credits in the national currency increased by 56.7 percent and in foreign currency by 56.2 percent. The most important industry factors of growth of aggregate index of credits

Chart 3. Average level of interest rates on new credits in national currency by term categories

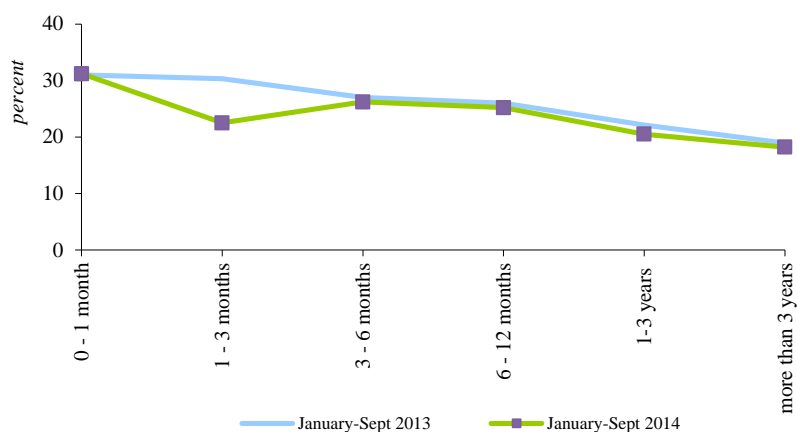
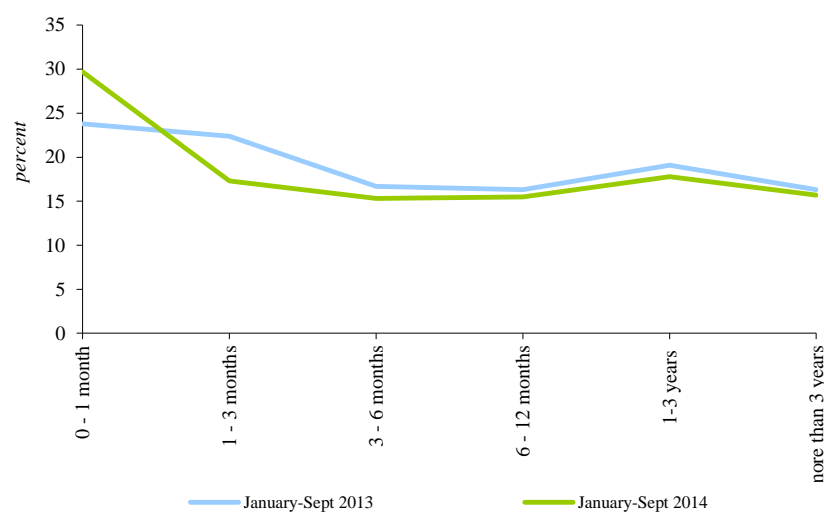


Chart 4. Average level of interest rates on new credits in foreign currency by term categories



issued by banks were the increasing volumes of trade credits along with the observed increase in credits for the agricultural sector.

The weighted average interest rate on newly issued credits in the national currency in January-September 2013 decreased compared to the same period in 2012 by 1.7 percentage points to 21.2 percent; in foreign currency - by 0.5 percentage points to 18.6 percent.

The main volume of credits was granted for a period of one to three years, as a result of which the share of long-term credits in the time structure of newly issued credits increased by 2.0 percentage points to 73.0 percent. However, in the structure of short-term credits, the share of credits issued for a period of 0-1 months increased significantly by 7.1 percentage points.

The volume of credits for trade increased by 52.0 percent; this sector still remains as the most significant in the structure of newly issued credits (48.4 percent). In this period, there was a significant increase in the lending industry (2.6 times), and the share of these loans increased by 2.6 percentage points to 6.6 percent. The volume of loans to agriculture increased by 1.9 times, which led to an increase in their share by 3.0 percentage points to 15.9 percent. Besides, the volume of issued consumer credits increased (+20.1 percent), but their share decreased from 11.5 to 8.9 percent. The share of credits for mortgage, transportation, communication, procurement and processing, construction and social services constituted 12.2 percent. The share of "other" credits decreased by 2.8 percentage points and constituted 8.2 percent.

In terms of sectors, the changes of interest rates on newly issued credits in the national currency were diverse; and in foreign currency the rates decreased. As for the credits in the national currency, the rate reduction was noted in such fields as industry, agriculture, transport, trade, consumer financing, construction and other credits. At the same time, the lowest rate credits in the national currency were issued for agriculture (average of 18.0 percent over the period); the highest rate credits were issued for communication sector (27.3 percent).

In foreign currency rates fell in all sectors except for trade. Credits at the highest rates in foreign currency were issued for trade sector (an average of 20.4 percent), while the credits at the lowest rates were issued for construction sector (average of 13.2 percent over the period).