

## Deposits (9 months of 2013)

In January-September 2013 there was acceleration of growth of the deposit base of commercial banks in the market of bank deposits in comparison with the same period of 2012, which was mainly due to the significant increase in funds in foreign currency accounts of legal entities of the three market participants.

Indicators of interest rates for the first nine months on the accepted deposits in national and foreign currencies have not changed significantly; in general remained at the same level as in the comparable period of the previous year. In the context of structure, the upward trend of change of the deposit base was caused by an increase in cash balances in the accounts of entities, as well as the growth of on-demand deposits and fixed-term deposits.

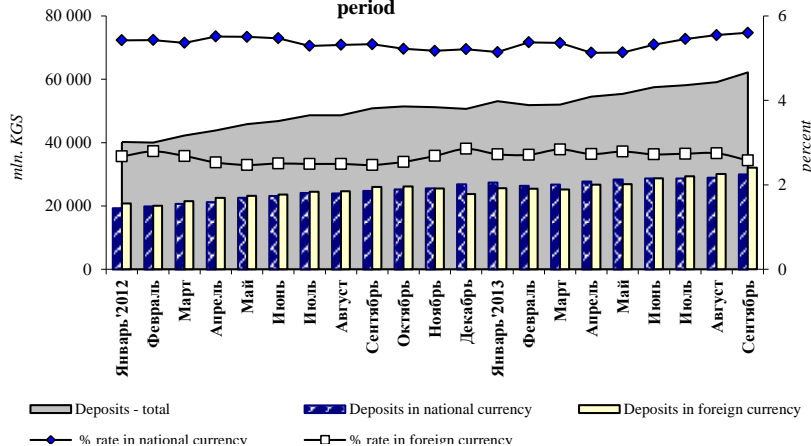
At the end of the reporting period, the volume of the deposit base of commercial banks amounted to 62.2 billion KGS having increased since the beginning of the year by 22.8 percent. The increase was due to the growth of currency component of the deposit base by 35.3 percent, and by deposits in KGS by 11.7 percent (excluding the strengthening of the US dollar, the deposit base increased by 24.4 percent).

According to the results of January-September 2013, from the beginning of the year the dollarization of the deposit base increased by 4.8 percentage points to 51.6 percent due to higher rates of growth of currency deposits.

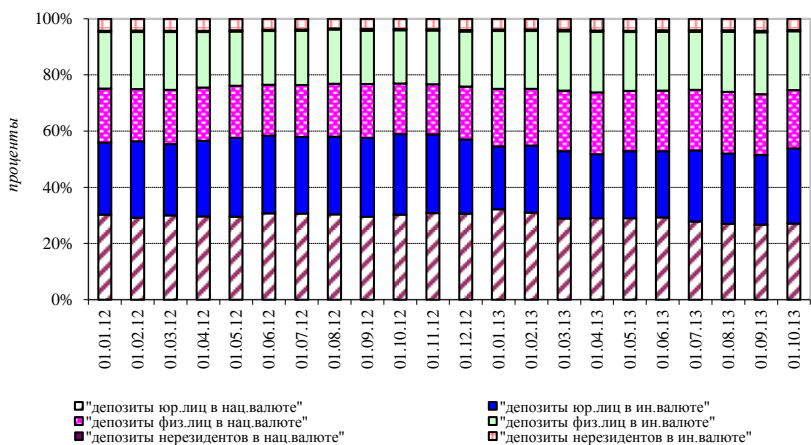
In January-September 2013, in the time structure of the deposit base there was an increase of urgency of attracted resources; the share of funds on current accounts decreased from 40.6 to 36.5 percent, while the share of fixed-term deposits increased from 34.6 to 37.0 percent. The balance of on-demand deposits of clients of banks increased (by 31.3 percent), as a result of which their share increased in January-September from 24.8 to 26.5 percent. The structure of fixed-term deposits changed towards reducing the share of long-term deposits (over one year) by 0.1 percentage points to 9.1 percent in the total deposit base (or 24.5 percent in the volume of fixed-term deposits), while the share of short-term deposits increased by 2.5 percentage points and constituted 27.9 percent. As a result, the duration of fixed-term deposits decreased from the beginning of the year from 13.0 to 12.1 months, and the duration of the total deposit base remained unchanged at 4.5 months.

The index of market concentration remained at the level of 0.10, which corresponds to the average level of concentration and is equivalent to the presence of ten participants with equal shares in the market.

**Chart 1. Dynamics of deposits, accepted by the commercial banks over a period**



**Chart 2. Deposit structure by depositors**



In the reporting period, there was an increase in the inflow of deposits in commercial banks. The volume of newly accepted deposits<sup>1</sup> in January-September 2013 amounted to 199.6 billion KGS having increased compared to the same period in 2012 by 15.7 percent. The volume of newly accepted deposits in the national currency amounted to 103.6 billion KGS (+18.2 percent); in foreign currency - 96.0 billion in KGS equivalent (+13.0 percent).

In structural section, the increase of newly accepted deposits was mainly achieved by the growth of on-demand deposits, the volume of which increased during the period by 14.2 percent. While the share of on-demand deposits decreased from 89.4 to 88.3 percent with a proportional extension of share of fixed-term deposits mainly due to the growth of short-term component (except for deposits with a maturity of between 0 and 1 month).

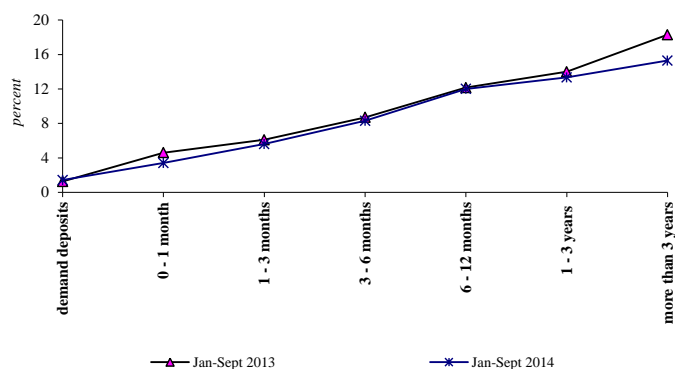
The weighted average interest rate of newly accepted deposits in the national currency amounted to 2.3 percent having increased compared to the same period in 2012 by 0.1 percentage points due to increased interest rates of on-demand deposits in KGS from 1.3 to 1.4 percent in annual expression. The weighted average interest rate of fixed-term deposits in the national currency amounted to 9.7 percent (-0.1 percentage points).

In terms of banks, the average interest rates on newly accepted fixed-term deposits in the national currency increased in 8 out of 23<sup>2</sup> commercial banks; and in the rest of the banks the rates decreased. The average value of the real interest rate of fixed-term deposits in the national currency in January-September 2013 was 2.1 percent compared to 8.3 percent in the same period of the previous year.

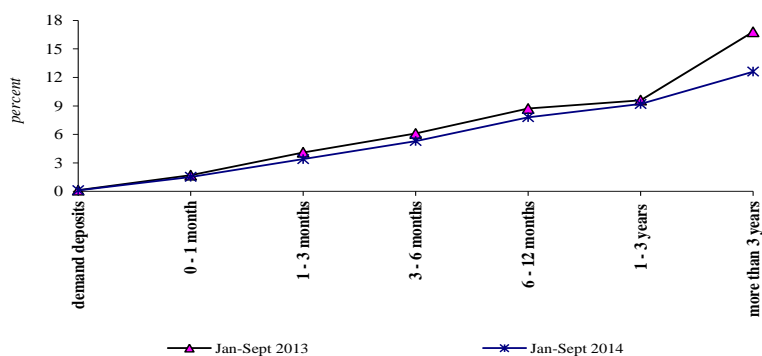
The interest rate on newly accepted deposits in foreign currency remained at the same period of 2012 and constituted 0.8 percent. The weighted average interest rate of on-demand deposits in foreign currency also remained at the previous year at 0.1 percent; the rate of fixed-term deposits in foreign currency decreased by 0.9 percentage points to 5.9 percent.

In terms of banks, the average interest rates on newly accepted fixed-term deposits in foreign currency decreased in 12 out of 23<sup>3</sup> operating banks; and the rates increased in the rest of the banks.

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



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



<sup>1</sup> The volume of newly accepted deposits does not take into account the settlement accounts of the banks' clients.

<sup>2</sup> In January-September 2013, 4 banks from among the operating banks did not attract fixed-term deposits in the national currency.

<sup>3</sup> In January-September 2013, 4 banks out of the operating banks did not attract fixed-term deposits in foreign currency.