

Deposits (9 months of 2017)

During the first nine months of the current year, there was growth in the market of bank deposits by 10.4 percent, which was due relatively stable growth of business activity remaining in the domestic market and gradual increase of public confidence in the banking system of the Kyrgyz Republic. The indicators of the interest rates on the accepted deposits in the national and foreign currency did not experience significant changes in the reporting period.

By structure, the upward tendency of changes in the commercial banks' depositary base was mainly due to the increase of the demand deposits (+12.6 percent) and the growth in the funds balance on the enterprises' settlement accounts (+11.6 percent).

Thus, by the end of the reporting period, the volume of the depositary base of commercial banks constituted KGS 118.2 billion, having increased by 13.0 percent compared to the same indicator of the previous year. At the same time, the increase was due to the growth of the retail deposits in the national currency by 25.2 percent, up to KGS 61.7 billion. The currency component of the depositary base increased by 2.2 percent, up to KGS 56.5 billion.

Excluding changes in the exchange rate, the depositary base increased by 11.3 percent since the beginning of the year. Dollarization level at the end of the reporting period amounted to 47.8 percent (-3.3 percentage points).

In the reporting period, the structure of the depositary base by maturity was as follows: the share of funds on the fixed-term deposits of the banks' clients increased up to 37.7 percent (+0.4 percentage points), and the share of the demand deposits – up to 27.5 percent (+0.5 percentage points). The share of deposits on the settlement accounts in the commercial banks' depositary base, on the contrary, decreased down to 34.7 percent (-0.9 percentage points).

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

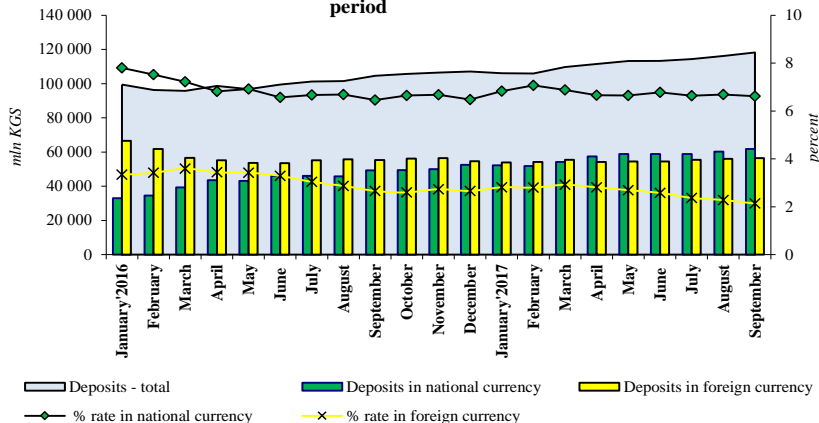


Chart 2. Deposit structure by depositors

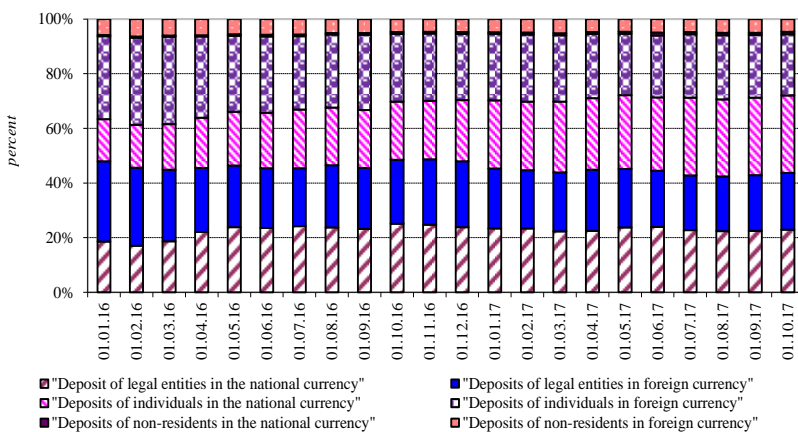
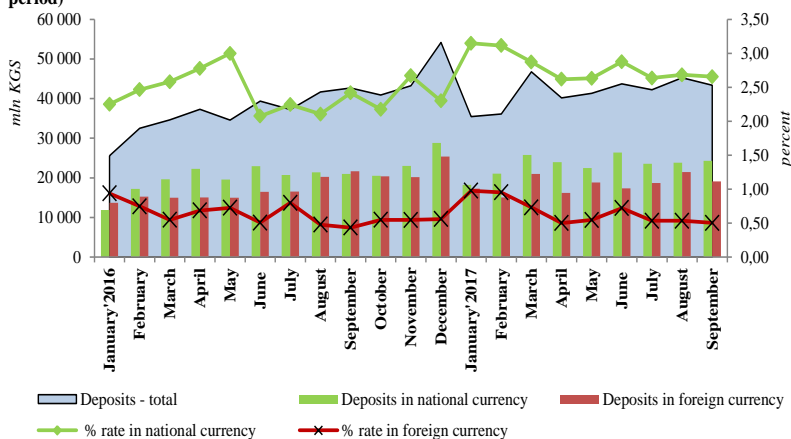


Chart 3. Acting commercial banks' newly accepted deposits dynamics (for the period)



In the structure by maturity, the share of short-term deposits (up to 1 year) decreased year-to-date down to 69.9 percent (-4.5 percentage points) with proportionate increase in the share of the long-term resources up to 30.1 percent.

Chart 4. Structure of deposits accepted in national currency

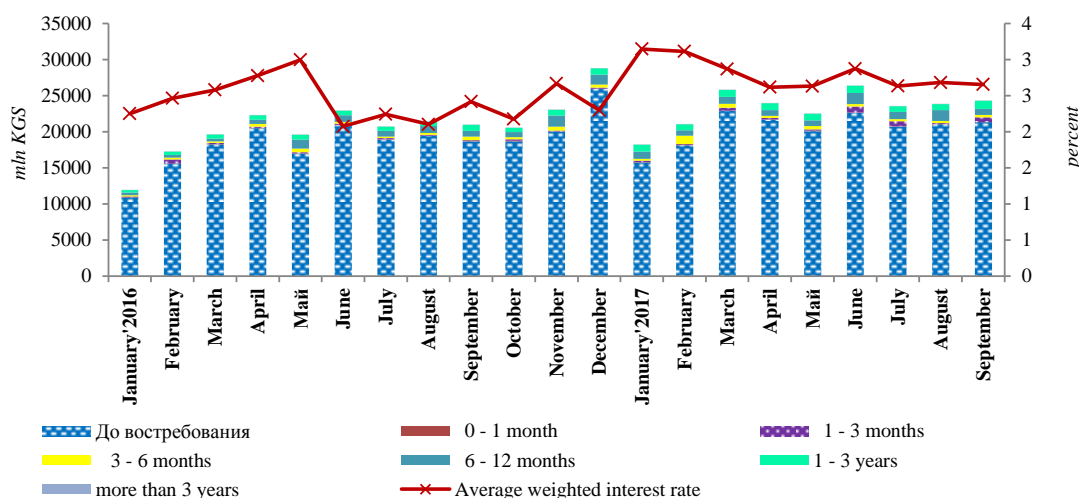
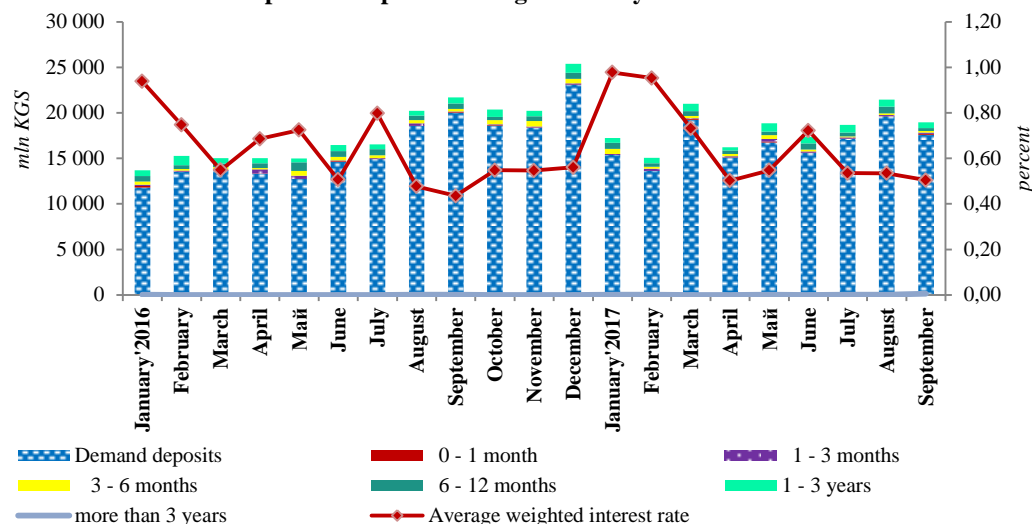


Chart 5. Structure of deposits accepted in foreign currency



At the end of the reporting period of 2017, the market concentration index was 0.10 that corresponds to the average level of concentration and is an equivalent to the presence of ten participants in the market with equal shares.

In the reporting period, there was an increase in the volume of deposits to the commercial banks. Thus, the volume of the newly accepted deposits¹ in the reporting period constituted KGS 374.4 billion, having increased by 15.0 percent as compared to the similar period of 2016. This was due to the increase in the volume of the newly accepted deposits in the national currency by 18.6 percent, up to KGS 209.5 billion and in foreign currency – by 10.8 percent, up to KGS 164.9 billion.

By structure, increase of the newly accepted deposits was mainly due to the growth in the fixed-term deposits, the volume of the latter increased by 24.1 percent, up to KGS 40.4 billion. At the same time, the share of these deposits increased from 10.0 to 10.8 percent with the proportional reduction in the share of demand deposits (from 90.0 to 89.2 percent). At the

¹ In the volume of the newly accepted deposits the settlement accounts of the bank's clients are not taken into account.

same time, the volume of accepted demand deposits increased up to KGS 334.0 billion (by 14.0 percent).

Thus, amid growth in the volume of the commercial bank's deposits in the reporting period, interest rates on these deposits did not experience significant changes compared to the similar indicator of 2016. Thus, the weighted average interest rate on the newly accepted deposits in the national currency constituted 2.8 percent, having increased by 0.4 percentage points compared to the same period of 2016. At the same time, the weighted average interest rate on the fixed-term deposits in the national currency constituted 10.6 percent (-2.2 percentage points), on the demand deposits – 1.7 percent (+0.4 percentage points).

Chart 6. Average level of interest rates on new deposits in national currency by term categories

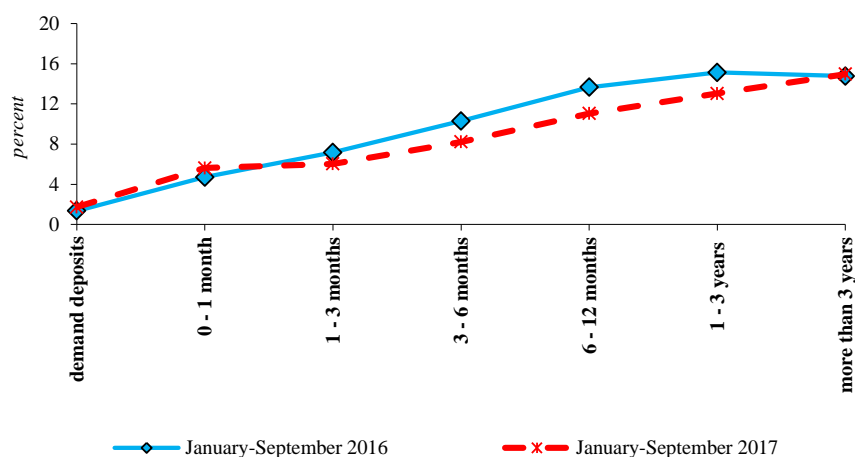
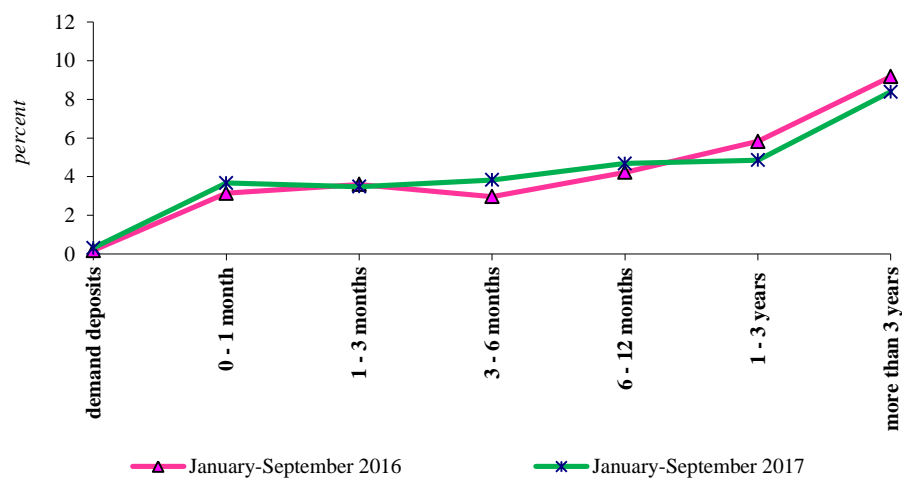


Chart 7. Average level of interest rates on new deposits in foreign currency by term categories



The weighted average interest rate on the newly accepted deposits in foreign currency was 0.7 percent (+0.02 percentage points). At the same time, the weighted average interest rate on the fixed-term deposits in foreign currency decreased down to 4.3 percent (-0.3 percentage points), on the demand deposits the rate increased by 0.1 percentage point and constituted 0.3 percent.