

Credits (9 months of 2017)

Increase in the credit portfolio with predominance of the credits issued in the national currency observed in the reporting period was accompanied by the growth of the depositary base in the commercial banks.

Thus, the volume of the credit portfolio of the operating commercial banks by the end of the reporting period constituted KGS 105.7 billion, having increased from the beginning of the year by 13.1 percent. This upward dynamics was mainly due to the increase in the volume of credits in the national currency by 23.4 percent, up to KGS 64.0 billion, as well as the growth of the currency component by 0.3 percent, up to KGS 41.7 billion.

Excluding changes in the exchange rate, the credit portfolio increased by 13.2 percent since the beginning of the year. Dollarization level at the end of the reporting period amounted to 39.5 percent (-5.1 percentage points).

At the same time, the average weighted interest rate on the credit portfolio decreased by 1.9 percentage points, down to 16.5 percent, at the end of the reporting period. This downward trend was mainly due to the decrease of the average weighted interest rate in the national currency by 2.7 percentage points, down to 19.5 percent, in foreign currency – by 1.6 percentage points, down to 11.8 percent.

At the end of nine months, there was a slight improvement in the quality of the credit portfolio of the banking system. Thus, the share of the outstanding debt constituted 2.3 percent in the total volume of the credit portfolio (-0.6 percentage points), and the share of prolonged credits in the total volume of the credit portfolio decreased by 0.6 percentage points since the beginning of the year and constituted 4.2 percent.

However, the portfolio of the majority of the banks remained highly concentrated in separate sectors. Thus, the index indicating concentration of the banks' credit portfolio in the sectors constituted 0.33, which demonstrates the distribution of the credits of the majority of the banks predominantly among three sectors. Moreover, the indicator of the general concentration of the lending market constituted 0.08, which corresponds to the low level of concentration and is equivalent to the distribution of the market among 12 banks.

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

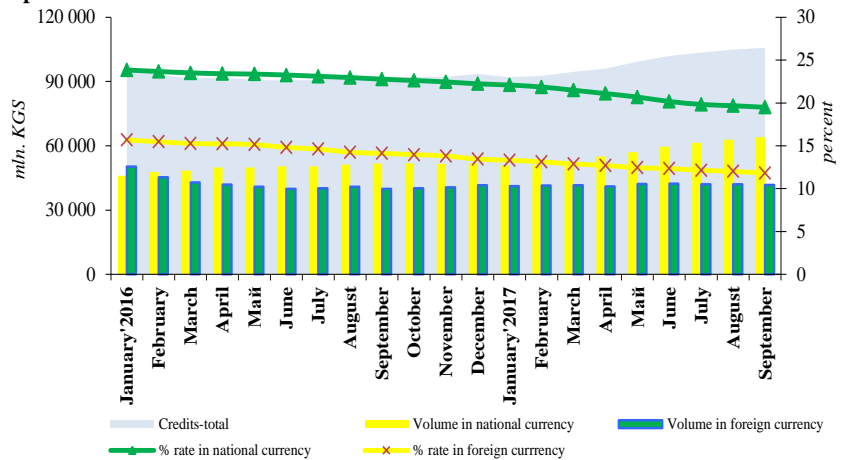


Chart 2. Dynamics of credits, issued by the commercial banks over a period

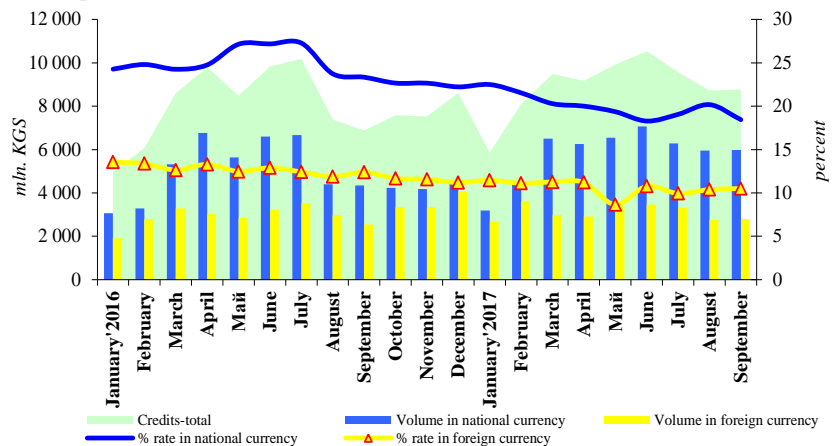
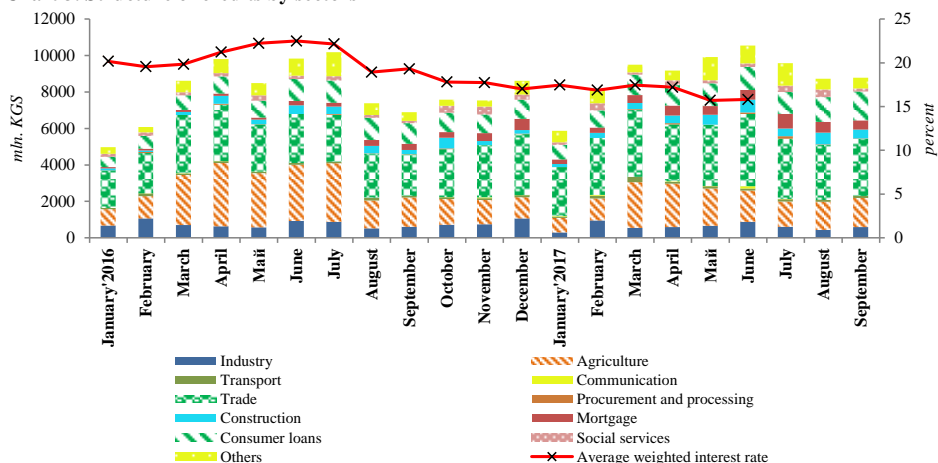


Chart 3. Structure of credits by sectors



At the end of the reporting period, the increase in the volume of long-term credits (up to 1 year) up to 85.5 percent (in quantitative terms – by KGS 15.1 billion) was observed in the time structure of the banks’ credit portfolio, the share of short-term credits on the contrary decreased down to 14.5 percent (in quantitative terms – by KGS 2.6 billion). Such adjustment of the time structure did not have significant influence on the duration indicator, which constituted 30.2 months (+1.8 months since the beginning of the year).

The total volume of newly issued credits during January-September of 2017 constituted KGS 80.2 billion, which is by 11.0 percent higher than the similar indicator of 2016. At the same time, credits issued in the national currency increased by 13.4 percent, up to KGS 52.3 billion and in foreign currency - by 6.8 percent, up to KGS 27.9.

Chart 4. Structure of credits in national currency for the period

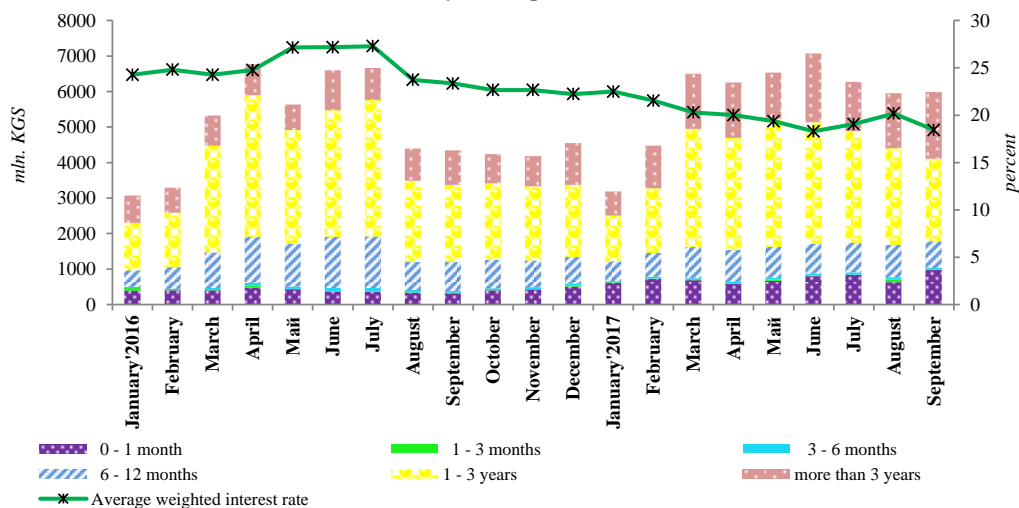
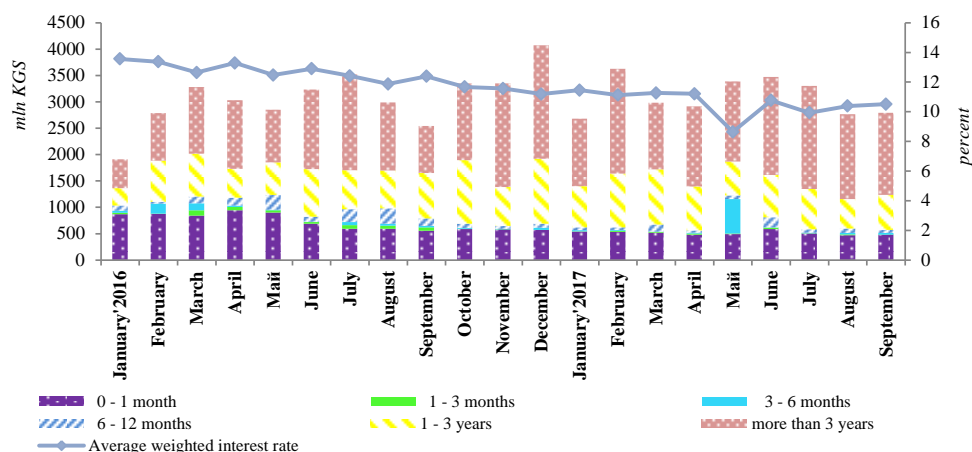


Chart 5. Structure of credits in foreign currency for the period



During nine months of the reporting period, by currencies the downward trend in the interest rate change was observed on the newly issued credits both in the national and in foreign currency. Thus, the average weighted interest rate on the newly issued credits in the national currency in the reporting period decreased as compared to the similar indicator of 2016 by 5.2 percentage points and constituted 20.0 percent and the new credits in foreign currency decreased by 2.2 percentage points, down to 10.6 percent.

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

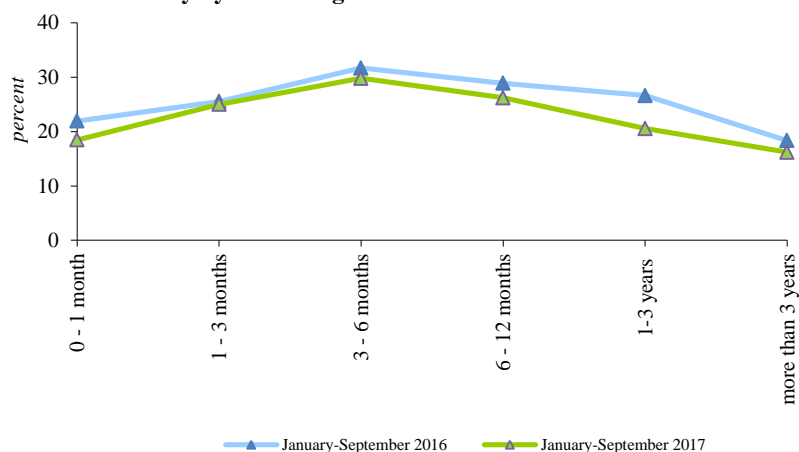
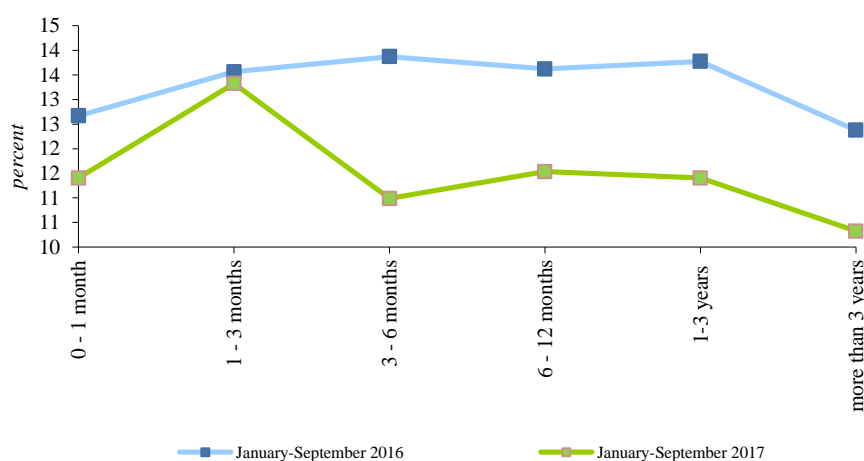


Chart 7. Average level of interest rates on new credits in foreign currency by term categories



By sectors the change of the interest rates on the newly issued credits in the national and foreign currency was multidirectional in the reporting period. Meanwhile, the credits in

the national currency were issued for the procurement and processing at the lowest rates (the average weighted interest rate for the period - 10.8 percent), the consumer loans were issued at the highest rates (27.2 percent).

The rates in foreign currency decreased in all sectors. The credits in foreign currency were issued at the highest rates for the transport (the average weighted interest rate - 13.0 percent), and at the lowest rates – for communication services (the average weighted interest rate - 9.4 percent).