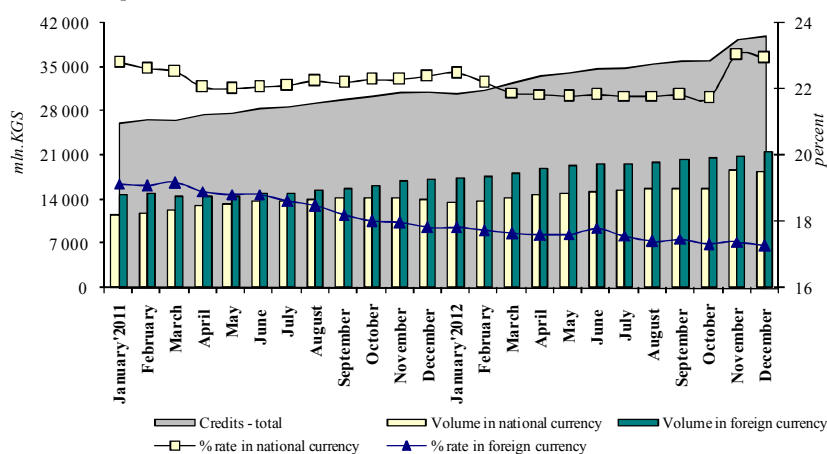


CREDITS (2012)

In 2012 the bank crediting market with the absence of significant fluctuations of liquidity in the banking system is relatively stable exchange rate continued to expand. Despite the fact that the value of the credits remained relatively high, at the same time on the new credits, both in national and in foreign currency, the average interest rate decreased slightly. The main contribution to the portfolio was introduced crediting sectors of

Graph 1. Dynamics of credit indebtedness of the operating commercial banks at the period's end



trade, agriculture and consumer credits. Also improving quality characteristics of the credit portfolio of the banking system: reduced equity values overdue and rescheduled credits.

In 2012 within the framework of the state program of the agricultural sector support “Affordable Credits to Farmers (ALF)-2” granted 6.3 thousand soft credits to the total amount of KGS 700.4 million from 1 billion of allocated funds for these purposes. Term of the resources allocation at 7 percent per annum was 12 months for credits to support and development of the crop sector and 2 years – on the livestock sector (in 2011, credit facilities provided under 9 percent per annum for a period of 1 year). In percentage terms credits on the ALF-2 project took 1.8 percent of the total volume of credits during the period.

At the end of 2012, the credit portfolio of the operating commercial banks amounted to KGS 40.1 billion, having increased from the beginning of the year by 28.5 percent (adjusted for exchange rate changes the credit portfolio grew by 27.1 percent). In this part of the KGS credit portfolio increased by 32.9 percent, constituted to the amount of KGS 18.6 billion.

Table 1. Dynamics of credits in the operating commercial banks

Period	Indebtedness under credits at period's end					Credits, issued over a period				
	Total (ths.KGS)	In national currency		In foreign currency		Total (ths.som)	In national currency		In foreign currency	
		volume (ths.KGS)	rate (%)	volume (ths.KGS)	rate (%)		volume (ths.KGS)	rate (%)	volume (ths.KGS)	rate (%)
January 2012	30 942 511,4	13 586 019,1	22,5	17 356 492,3	17,8	2 054 683,8	851 089,1	25,2	1 203 594,7	20,8
February	31 499 133,4	13 867 997,2	22,2	17 631 136,2	17,7	3 055 247,4	1 475 618,3	20,3	1 579 629,1	20,3
March	32 685 679,9	14 392 792,1	21,9	18 292 887,8	17,6	3 371 354,3	1 614 651,8	20,8	1 756 702,5	20,4
April	33 816 431,2	14 814 373,0	21,9	19 002 058,2	17,6	3 845 362,3	1 713 001,5	22,6	2 132 360,8	19,3
May	34 280 765,7	14 967 733,5	21,8	19 313 032,2	17,6	2 920 817,8	1 278 493,2	24,0	1 642 324,6	20,1
June	34 904 433,7	15 218 608,2	21,8	19 685 825,5	17,8	2 913 384,0	1 319 393,4	22,9	1 593 990,6	20,5
July	35 040 433,3	15 408 649,4	21,8	19 631 783,9	17,6	2 734 708,2	1 399 651,2	23,2	1 335 057,0	17,4
August	35 657 223,3	15 708 504,3	21,8	19 948 719,0	17,4	3 434 638,0	1 517 020,5	23,4	1 917 617,5	15,7
September	36 135 268,0	15 822 189,7	21,8	20 313 078,3	17,5	2 592 449,0	1 348 220,2	23,6	1 244 228,8	17,4
October	36 215 884,2	15 664 308,2	21,7	20 551 576,0	17,3	3 287 500,0	1 213 072,6	22,4	2 074 427,4	19,2
November	39 556 621,6	18 602 033,5	23,0	20 954 588,1	17,4	3 515 995,6	1 712 255,0	23,7	1 803 740,6	20,3
December	40 105 375,3	18 557 891,4	22,9	21 547 483,9	17,3	4 325 040,6	1 608 652,4	23,9	2 716 388,2	18,0
Total for 2012	40 105 375,3	18 557 891,4	22,9	21 547 483,9	17,3	38 051 181,0	17 051 119,2	23,0	21 000 061,8	19,1
Change over a period	8 888 303,0	4 588 852,9	0,6	4 299 450,1	-0,5	6 146 440,1	1 888 823,4	-0,8	4 257 616,7	-0,5
Increase rate (%)	28,5%	32,9%		24,9%		19,3%	12,5%		25,4%	

At the end of December 2012 the volume of credits in foreign currencies amounted to KGS 21.5 billion equivalent exceeding the corresponding figure at the beginning of the year by 24.9 percent (including the strengthening of U.S. dollar increase of 22.5 percent).

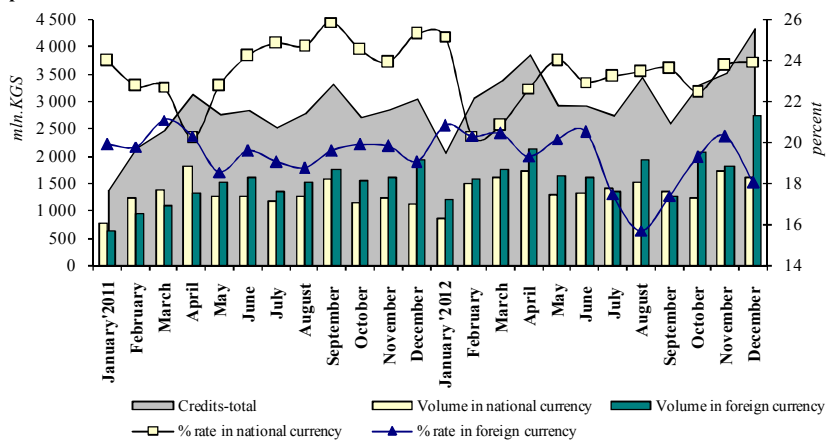
Table 2. Change in credit portfolio of the commercial banks for 2012 by sectors and term categories

	Total	including						Overdue indebtedness
		0-1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	
Overall change	8,888,303.0	390,927.3	105,706.3	386,205.1	1,148,003.7	5,024,806.0	1,766,751.7	65,902.9
<i>including by currency</i>								
in national currency	4,588,852.9	88,934.1	97,855.5	72,587.3	449,874.6	3,843,050.0	50,580.0	-14028.60
in foreign currency	4,299,450.1	301,993.2	7,850.8	313,617.8	698,129.1	1,181,756.0	1,716,171.7	79,931.5
<i>including by sectors:</i>								
Industry	590,923.2	-46482.50	-24301.90	7,738.3	239,073.8	498,899.6	-86131.80	2,127.7
Agriculture	2,098,826.9	71,031.0	-10538.40	75,411.1	185,896.9	1,550,187.5	230,740.6	-3901.80
Transportation	600,289.5	1,340.9	2,265.4	8,774.8	43,945.5	497,177.7	44,528.6	2,256.6
Communication	21,378.5	0.0	-58.50	-111.20	-1031.30	13,822.1	8,799.3	-41.90
Trade	2,647,920.9	332,129.8	7,518.3	168,319.4	328,731.3	1,010,503.2	749,171.7	51,547.2
Procurement and processing	16,797.7	477.7	1,838.9	-1220.30	12,390.4	16,762.4	-16885.80	3,434.4
Construction	453,867.3	15,975.4	-5547.40	35,431.9	64,173.2	222,168.1	138,150.1	-16484.00
Mortgage	884,213.2	1,057.2	10,861.6	5,822.8	33,592.6	235,034.8	591,177.4	6,666.8
Consumer credit	1,021,471.1	11,951.8	-24435.90	37,515.8	106,041.2	594,793.1	288,993.6	6,611.5
Social services	439,288.1	631.1	2,085.1	32,127.2	-15933.60	263,718.7	132,592.8	24,066.8
Other	113,326.6	2,814.9	146,019.1	16,395.3	151,123.7	121,738.8	-314384.80	-10380.40

In 2012, the weighted average interest rate on the credits of banks in local currency increased by 0.6 percentage points to 22.9 percent, and in foreign currency, however, decreased to 17.3 percent (-0.5 percentage points).

At the end of the reporting period, the credit portfolio of banks by sectors distributed as follows. The share of credits to trade, normally the majority of the credit portfolio decreased by 2.9 percentage points, to 40 percent. Also slightly decreased the share of credits for construction purposes – from 5.6 to 5.5 percent. This will increase the share of credits in agriculture (by 2.4 percentage points to 15.1 percent), industry (by 0.3 percentage points to 5.6 percent), mortgage (0.1 percentage points to 9.6 percent) and consumer credits (by 0.6 percentage points to 9.4 percent). Credits for transportation, communications, procurement and processing and social services, as always, constituted a small proportion – a total of about 4.4 percent. In 2012 the share of “other” credits decreased from 12.9 to 10.3 percent.

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



Portfolio of the majority banks remained highly concentrated in certain sectors.

Thus, the index showing the concentration of the credit portfolio of banks in the sectors constituted 0.44, which indicates the distribution of credits of the majority banks mainly between the two sectors. In addition, the concentration of credits separately in each sector was also high: 7 out of 11 industries index was more than 0.18, indicating that the presence of a small number of banks in these sectors.

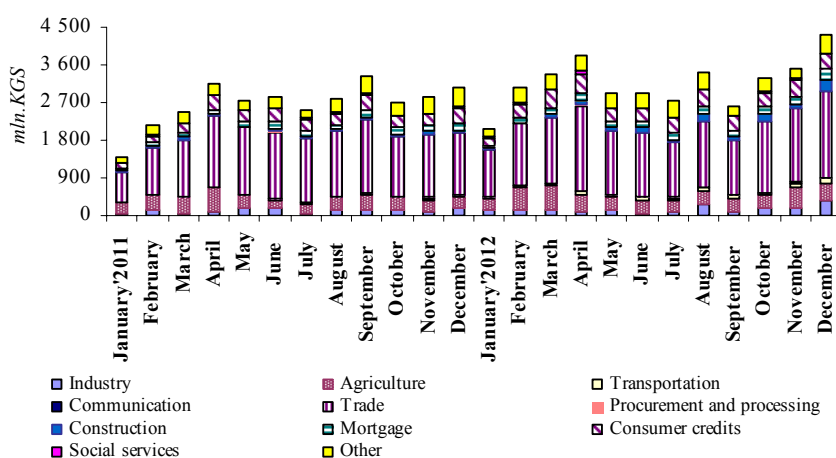
Index of the total concentration of the crediting market remained at 0.09, which is equivalent to the division of the market between the 11 banks.

In the temporal structure of the credit portfolio of banks was an increase in the volume of credits for all types of maturity, but a lower increase rate of credits with terms of 1-3 months and 6-12 months resulted in a reduction in the share of such credits. In the context of share also noted the decrease of the share of long-term credits for a period of more than 3 years, with the remaining share of credits increased from the beginning of the year with the exception of credits for the period 3-6 months, the share of which remained unchanged at 4.3 percent.

Despite this overall share of long-term credits, which include credits as from 1 year to 3 years, increased to 73.9 percent (+0.7 percentage points), which in turn led to an equivalent reduction in the share of overdue indebtedness. Thus, the index duration for 2012 decreased slightly from 28.3 to 27.6 months, which generally reflects the current situation with a relatively more active growth of credits issued for less than 3 years. In this period, there was improvement in the quality of credit portfolio: at the end of December 2012 the share of overdue credits was 3.2 percent (at the beginning of 2012 – 3.9 percent), while the share of prolonged credits was 3.9 percent (at the beginning of 2012 – 4.7 percent).

In 2012 the volume of new issued credits amounted to KGS 38.1 billion, which is 19.3 percent higher than in 2011. Credits in local currency increased by 12.5 percent, and in foreign currency – by 25.4 percent. The most significant factor in the increase of the total credit portfolio of banks still remained the increase of volume of the trade sector crediting.

Graph 3. Sectoral structure of issued credits



Graph 4. Structure of new issued credits in national currency

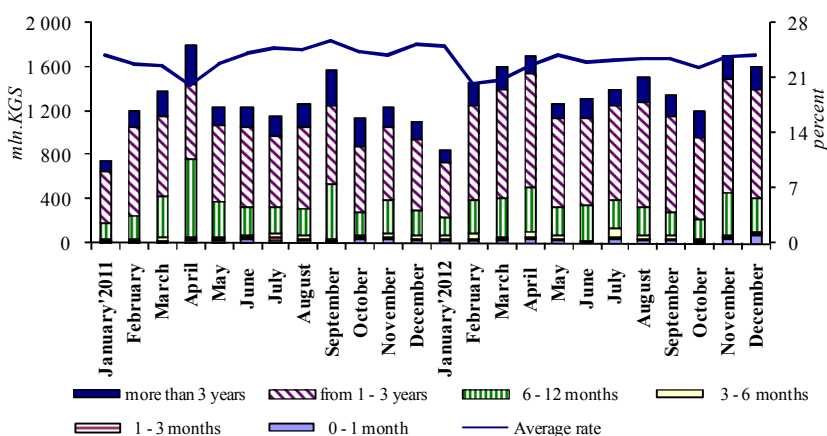


Chart 5. Structure of new issued credits in foreign currency

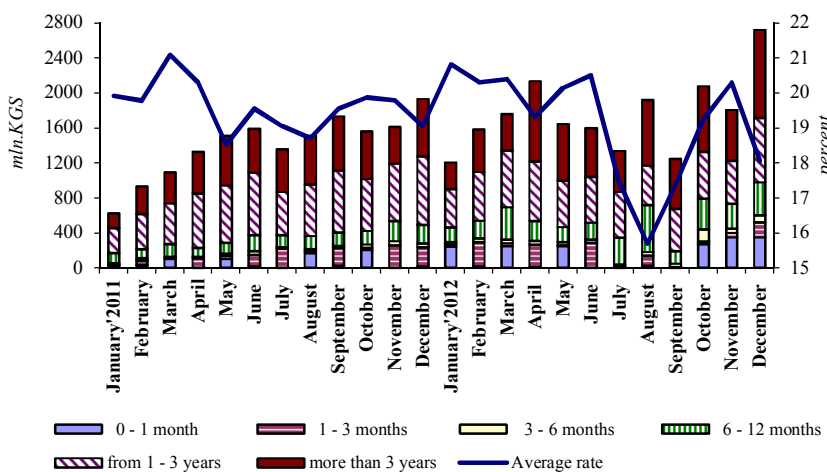


Table 3. Change in credit flow of the commercial banks for 2012 in comparison with 2011 by sectors and term categories

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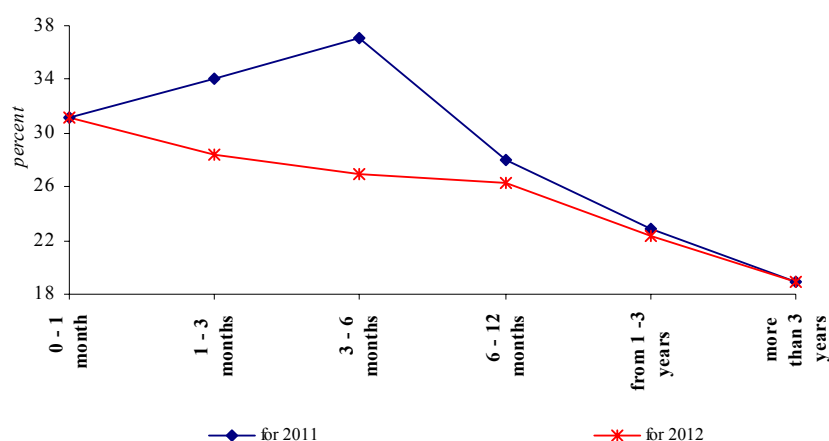
		including					
		0-1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years
Overall change	6,146,440.1	1148735.20	1,965.3	350,255.2	1,180,466.8	1,882,946.8	1,582,070.8
<i>including by currency:</i>							
in national currency	1,888,823.4	80,148.7	8,923.8	91,407.9	-338741.80	2,259,504.0	-212419.20
in foreign currency	4,257,616.7	1,068,586.5	-6958.50	258,847.3	1,519,208.6	-376557.20	1,794,490.0
<i>including by sectors:</i>							
Industry	396,106.9	-20974.00	-9577.40	32,794.3	326,538.0	51,540.4	15,785.6
Agriculture	902,601.6	1,669.5	2,176.8	50,833.6	64,567.6	678,461.6	104,892.5
Transportation	502,983.7	0.0	165.0	895.7	23,707.1	409,697.0	68,518.9
Communication	21,432.6	0.0	0.0	0.0	-240.00	14,057.9	7,614.7
Trade	1,579,371.3	1,162,277.8	-158689.30	-55655.60	-72328.80	-182976.20	886,743.4
Procurement and processing	-9572.30	0.0	0.0	-5942.40	3,856.9	16,038.6	-23525.40
Construction	716,710.3	6.0	22,200.3	35,426.2	198,148.0	72,132.2	388,797.6
Mortgage	462,117.2	-15.20	37,103.3	7,900.1	51,950.6	166,610.4	198,568.0
Household	857,133.6	948.0	-1036.20	4,510.6	98,830.9	458,133.7	295,746.6
Social services	174,077.6	0.0	1,469.5	-16.40	31,558.7	59,799.0	81,266.8
Other	543,477.6	4,823.1	108,153.3	279,509.1	453,877.8	139,452.2	-442337.90

The weighted average interest rate on new issued credits in national currency for 2012 decreased compared to the same period in 2011 by 0.8 percentage points constituted 23.0 percent, in foreign currency – by 0.5 percentage points to 19.1 percent.

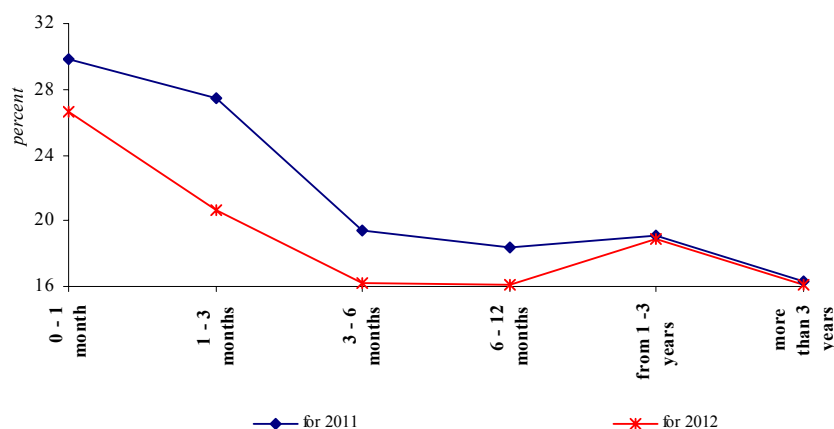
The main volume of credits was issued for a period of one to three years, however, due to the increase in the share of short-term credits, the share of long-term credits in the temporal structure of new credits decreased by 2.6 percentage points to 70.0 percent. In the structure of short-term crediting significantly increased the share of credits issued for a period of 0-1 months. Also increased the share of credits for 3-6 and 6-12 months – by 0.6 and 0.3 percent, respectively. As a result, the duration index of new issued credits decreased from 25.9 to 25.4 months.

The trade sector is still the most significant in the structure of new issued credits (49.7 percent) and the volume of issued credits increased by 9.1 percent. In the reporting period, an increase in crediting for agriculture (by 24.0 percent), which could affect the growth of the share of these credits from 11.8 to 12.3 percent. Consumer credits grew by 26.0 percent, resulting in an increase in their share by 0.6 percentage points to 10.9 percent. In addition, there was an increase in mortgage credits by 31.4 percent, and their share increased from 4.6 to 5.1 percent. The share of credits

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



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



for industry, transportation, communication, procurement and processing, construction, and social services amounted to 11.7 percent. The share of “other” credits decreased by 0.3 percentage points to 10.8 percent.

In terms of sectors changes in interest rates on new issued credits in national and foreign currencies were different directions. For credits in national currency the rate reduction was noted in such sectors as transportation, communication, trade, consumer and “other” credits. In this case, the lowest rate credits in national currency issued for a mortgage (the average for the period of 21.4 percent), the highest – for consumption (27.0 percent).

The rates in foreign currency decreased in all sectors except the credits for communication, procurement and processing and social services. The lowest value index of the credit was recorded in the construction sector (13.9 percent on average for the period), the highest rates of foreign currency credits issued in the sector of transportation (average 22.0 percent).

The average value of the real interest rates on credits in national currency in 2012 was 14.4 percent in comparison with 17.1 percent in the same period in 2011.