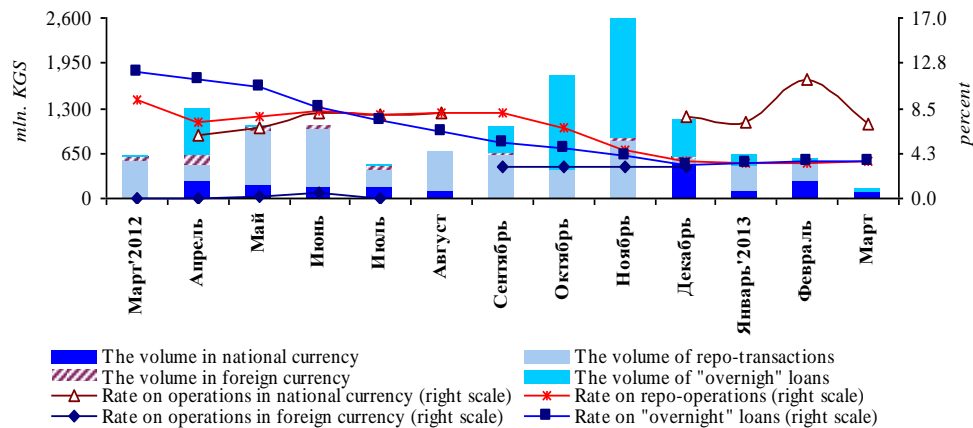


Interbank Market of Credit Resources (January-March 2013)

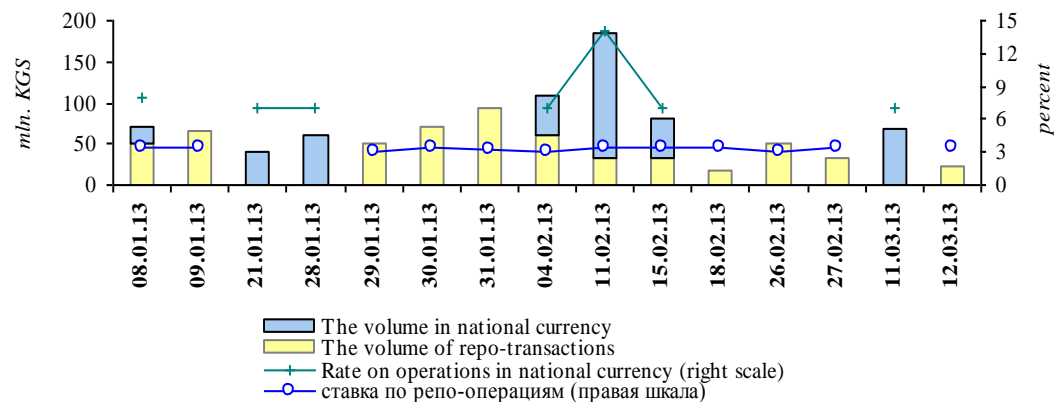
Graph 1. Dynamics of the volume of transactions and interest rates in the interbank market of credits



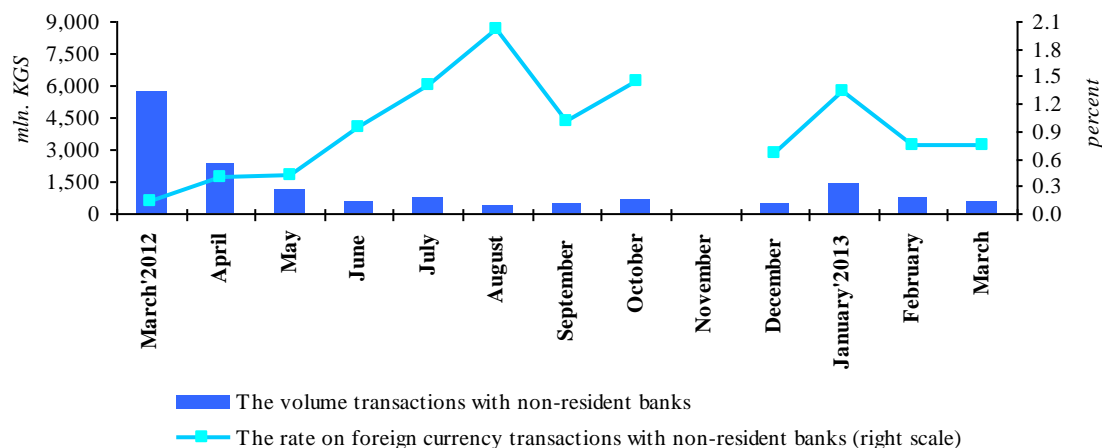
The reporting period was characterized by maintaining the stable level of liquidity of the banking system, which is one of the basic factors in the formation of the situation not only in the interbank market, but also in the financial sector as a whole. In a more detailed approach, in January the average daily volume of excess reserves in the banking system continued to increase and constituted 4.0 billion KGS against 3.2 billion KGS in the previous month. Significant market participants have sufficient liquidity reserves, as a result, not only inter-bank crediting indicators but also the volume of overnight credits decreased. Another result of the decline in the market activity was the reduction of the cost of borrowing in the interbank credit market became possible due to the growing terms of credits in the national currency.

In February, the average daily level of liquidity fell to 3.3 billion KGS mainly due to the decrease in the excess reserves indicators of the two members of the first four leading banks in the second half of the month. The transactions on the most popular borrowings on REPO conditions continued to take place almost on the same terms as in the previous month. Besides, there was a decrease in demand for overnight credits, the volume of which decreased in comparison with the January index by 44.4 percent and constituted 91.2 million KGS. In the last month of the quarter, there was a significant decline in all market segments, including overnight credits, on conditions of decline in the volume of excess reserves in the system, mainly due to the preservation of their volatility of the same dominant market players as in February.

Graph 2. The volume of transactions and interest rates in the interbank market of credits



Graph 3. Dynamics of the volume of transactions and interest rates in the interbank market of credits in foreign currency with non-resident banks



The total volume of transactions in the domestic interbank market of credits amounted to 1.0 billion KGS having decreased in annual terms by 28.5 percent (or 44.7 percent compared with the total index of the last three months of 2012). The main reason was a significant decrease in the volume of REPO-transactions in March, which led to a decline in general over the reporting period to 583.3 million KGS, which is by 55.9 percent lower than in the previous comparable period. In turn, the volume of interbank credits in the national currency decreased in comparison with the previous quarter by 9.5 percent and constituted 434.7 million KGS. In the reporting period, the credit transactions in foreign currency between banks were not committed.

One of the results of the significant decrease in the demand for interbank resources in the domestic market was the continuing trend of decline of their costs outlined in August 2012. The weighted average interest rate on REPO-transactions decreased at an annual rate by 7.0 percentage points to 3.4 percent. Credits in the national currency were issued under an average of 8.5 percent, which is by 1.5 percentage points lower than in the first quarter of 2012. At the same, the maturities of credits in the national currency increased to 279 days from 4 days in the first quarter of 2012, while the duration of the provision of funds on REPO conditions was 3 days (in January-March 2012 - 4 days).¹

Another factor that influenced the situation in the interbank credit market in the reporting period was a significant decrease in the volume of overnight credits that decreased compared to the fourth quarter of 2012 by 91.8 percent and constituted 297.4 million KGS. Following the dynamics of changes in the discount rate, the average cost of overnight credits dropped to 3.5 percent from 4.0 percent in the fourth quarter of 2012 (in annual terms, the overnight rate decreased by 10.1 percentage points).

The concentration index of creditors decreased during the quarter from 0.22 to 0.20; the concentration index of debtors amounted to 0.26 against 0.28 for the 4th quarter of 2012. The values of these indices indicate to a continued high level of market concentration and correspond to the presence of five creditors and four debtors in the market with equal shares.

The volume of credit transactions in foreign currency with non-resident banks amounted to 2.8 billion in KGS equivalent having decreased compared to the same period of January-March 2012 to 86.9 percent. More than half of the total volume of credits in the segment was recorded in January of this year; the remaining part was distributed over the next two months. The currencies of borrowings are the US dollar and the Euro. The entire volume of transactions in the segment is formed at the expense of one of the commercial banks acting as a creditor. In January-March of 2013, the weighted average interest rate on credit transactions with non-resident banks constituted 1.0 percent having decreased by 0.1 percentage points compared to the previous quarter.

¹ Note: weighted average terms were taken for comparison purposes.

Table 1. The dynamics of inter-bank loans in national currency (in terms of urgency)

Period	Total			Including by terms																	
	Volume (mln. KGS)	Q-ty of transactions	Rate (%)	Up to 1 day		2-7 days		8-14 days		15-30 days		31-60 days		61-90 days		91-180 days		181-360 days		more than 360	
				Volume (mln. KGS)	Rate (%)	Volume (mln. KGS)	Rate (%)	Volume (mln. KGS)	Rate (%)	Volume (mln. KGS)	Rate (%)	Volume (mln. KGS)	Rate (%)	Volume (mln. KGS)	Rate (%)	Volume (mln. KGS)	Rate (%)	Volume (mln. KGS)	Rate (%)	Volume (mln. KGS)	Rate (%)
March 2012	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
April	250.0	2	6.0	150.0	8.0	100.0	3.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
May	177.0	4	6.6	25.0	3.0	152.0	7.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
June	160.0	3	8.0	-	-	160.0	8.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
July	150.0	3	7.8	-	-	100.0	7.8	50.0	8.0	-	-	-	-	-	-	-	-	-	-	-	-
August	100.0	2	8.0	-	-	50.0	8.0	50.0	8.0	-	-	-	-	-	-	-	-	-	-	-	-
September	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
October	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
November	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
December	480.6	11	7.7	75.0	4.0	-	-	23.5	9.0	22.4	9.0	80.2	10.1	-	-	120.8	9.6	69.0	6.5	89.7	6.5
January 2013	119.1	3	7.2	-	-	-	-	-	-	-	-	-	-	-	-	119.1	7.2	-	-	-	-
February	246.6	3	11.3	-	-	-	-	-	-	-	-	-	-	-	-	47.8	7.0	47.8	7.0	151.0	14.0
March	69.0	2	7.0	-	-	-	-	-	-	20.0	7.0	-	-	-	-	-	-	49.0	7.0	-	-

Table 2. Repo operations of commercial banks (in terms of urgency)

Period	Total			Including by terms																	
	Volume (mln. KGS)	Q-ty of transactions	Rate (%)	Up to 1 day		2-7 days		8-14 days		15-30 days		31-60 days		61-90 days		91-180 days		181-360 days		more than 360	
				Volume (mln. KGS)	Rate (%)	Volume (mln. KGS)	Rate (%)	Volume (mln. KGS)	Rate (%)	Volume (mln. KGS)	Rate (%)	Volume (mln. KGS)	Rate (%)	Volume (mln. KGS)	Rate (%)	Volume (mln. KGS)	Rate (%)	Volume (mln. KGS)	Rate (%)		
March 2012	525.9	19	9.3	95.2	9.0	430.7	9.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-
April	242.8	7	7.1	104.7	7.0	138.0	7.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-
May	792.7	15	7.7	190.1	7.5	602.5	7.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
June	820.6	19	8.2	231.5	8.2	534.6	8.2	54.4	8.0	-	-	-	-	-	-	-	-	-	-	-	-
July	261.4	4	7.8	-	-	261.4	7.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
August	578.4	10	8.0	13.2	8.0	565.2	8.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
September	620.7	11	8.0	98.1	8.0	522.6	8.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
October	389.2	5	6.6	100.1	7.5	289.1	6.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-
November	841.7	12	4.5	41.6	4.0	800.1	4.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-
December	90.7	3	3.5	-	-	67.2	3.5	23.5	3.5	-	-	-	-	-	-	-	-	-	-	-	-
January 2013	331.2	6	3.3	-	-	298.2	3.3	33.1	3.5	-	-	-	-	-	-	-	-	-	-	-	-
February	229.1	6	3.3	-	-	229.1	3.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-
March	23.0	1	3.5	-	-	23.0	3.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Table 3. The dynamics of inter-bank loans in foreign currency between resident banks (in terms of urgency)

Period	Total			Including by terms																	
	Volume (mln. KGS)	Q-ty of transactions	Rate (%)	Up to 1 day		2-7 days		8-14 days		15-30 days		31-60 days		61-90 days		91-180 days		181-360 days		more than 360	
				Volume (mln. KGS)	Rate (%)	Volume (mln. KGS)	Rate (%)	Volume (mln. KGS)	Rate (%)	Volume (mln. KGS)	Rate (%)	Volume (mln. KGS)	Rate (%)	Volume (mln. KGS)	Rate (%)	Volume (mln. KGS)	Rate (%)	Volume (mln. KGS)	Rate (%)		
March 2012	70.1	4	0.0	-	-	23.4	0.0	23.4	0.0	23.4	0.0	-	-	-	-	-	-	-	-	-	-
April	112.4	6	0.0	-	-	89.0	0.0	23.5	0.0	-	-	-	-	-	-	-	-	-	-	-	-
May	38.4	4	0.2	3.2	3.0	35.3	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
June	56.0	4	0.5	2.9	3.0	53.1	0.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-
July	33.0	1	0.0	-	-	33.0	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
August	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
September	33.1	6	3.0	24.1	3.0	9.0	3.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
October	7.6	1	3.0	-	-	7.6	3.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
November	18.2	3	3.0	12.2	3.0	6.0	3.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
December	13.0	1	3.0	13.0	3.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
January 2013	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
February	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
March	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-