

Credits (12 months 2017)

In the period under review, the commercial banks continued increasing their credit portfolio with a significant share of the credits issued in the national currency.

Thus, the total volume of the credit portfolio of the commercial banks by the end of 2017 constituted KGS 108.3 billion, having increased from the beginning of the year by 15.9 percent. This dynamics was mainly due to the increase in the volume of credits in the national currency by 29.6 percent year-to-date, up to KGS 67.2 billion. The currency component of the credit portfolio on the contrary decreased by 1.2 percent year-to-date, down to KGS 41.1 billion.

Excluding changes in the exchange rate, the credit portfolio increased by 16.5 percent since the beginning of the year. Dollarization level at the end of the reporting period amounted to 38.0 percent (-6.6 percentage points).

At the same time, in 2017, the average weighted interest rate on the credit portfolio decreased by 2.3 percentage points, down to 17.0 percent. This downward trend was mainly due to the decrease of the average weighted interest rate in the national currency by 2.8 percentage points, down to 20.3 percent, in foreign currency – by 2.4 percentage points, down to 12.3 percent.

At the end of 2017, there was an improvement in the quality of the credit portfolio of the banking system. Thus, the share of the outstanding debt constituted 2.2 percent in the total volume of the credit portfolio (-0.7 percentage points), and the share of prolonged credits in the total volume of the credit portfolio decreased by 0.5 percentage points since the beginning of the year and constituted 4.3 percent.

During the current year, 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 credit debt of commercial banks by the end of the period

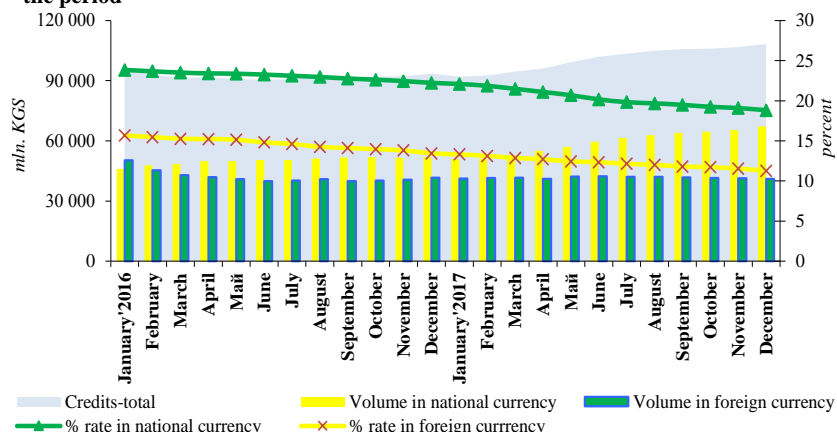


Chart 2. Dynamics of credits, issued by the commercial banks over a period

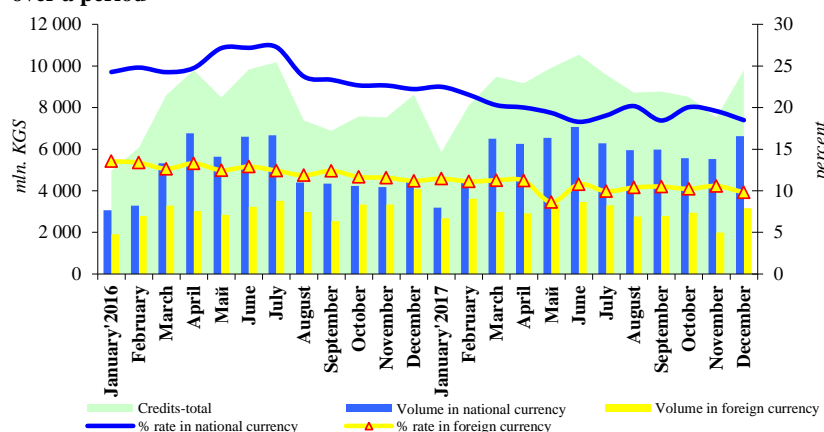
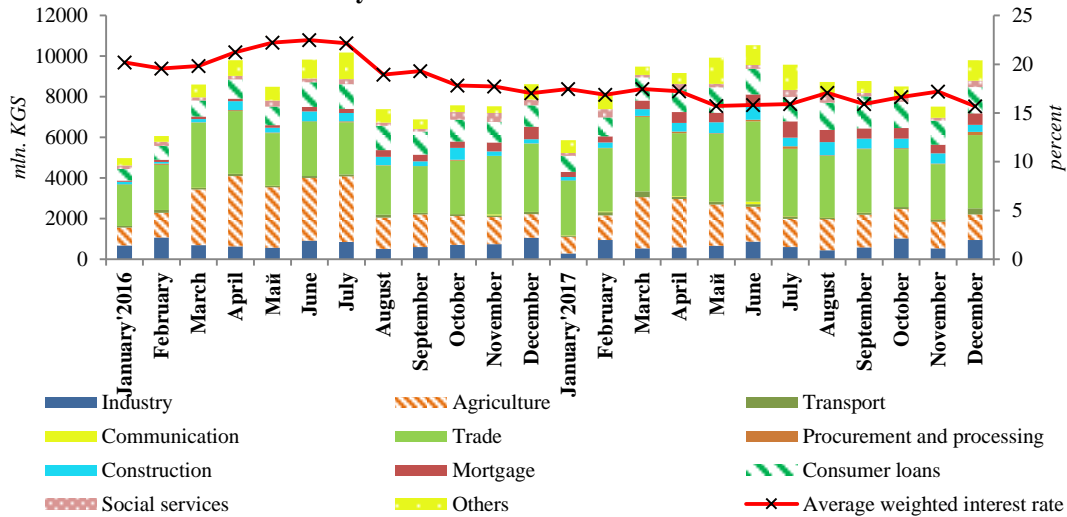


Chart 3. Structure of credits by sectors



At the end of the reporting period, the increase in the volume of long-term credits (up to 1 year and more) up to 85.8 percent was observed in the time structure of the banks' credit portfolio, which indicates relative resource stretching in the commercial banks (+4.6 percentage points). However, the share of short-term credits on the contrary decreased down to 14.2 percent. Such adjustment of the credit portfolio time structure did not have significant influence on the duration indicator, which constituted 31.3 months (+2.0 months since the beginning of the year).

In the structure of the credit portfolio, the credits issued for the period from 1 to 3 years have the largest share, as before, they are followed by the credits issued for more than 3 years.

The total volume of the newly issued credits in 2017 constituted KGS 106.0 billion, which is by 10.5 percent higher than the similar indicator of the previous year. Thus, the credits issued in the national currency increased by 18.5 percent, up to KGS 70.0 billion and in foreign currency - by 2.4 percent, up to KGS 36.0 billion.

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

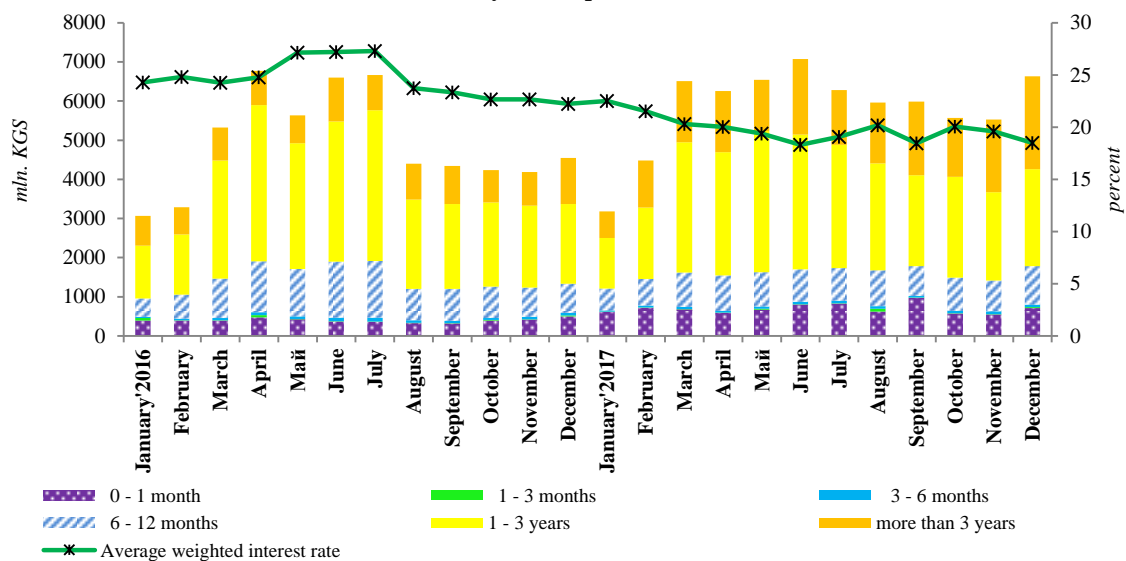
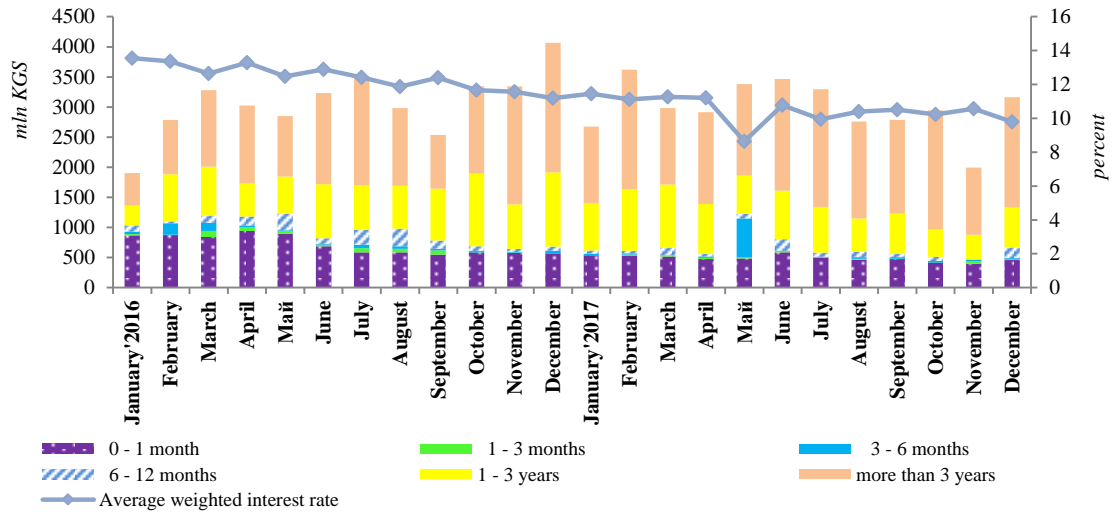


Chart 5. Structure of credits in foreign currency for the period



During 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 weighted average 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 4.7 percentage points and constituted 19.8 percent and the new credits in foreign currency decreased by 2.0 percentage points, down to 10.5 percent.

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

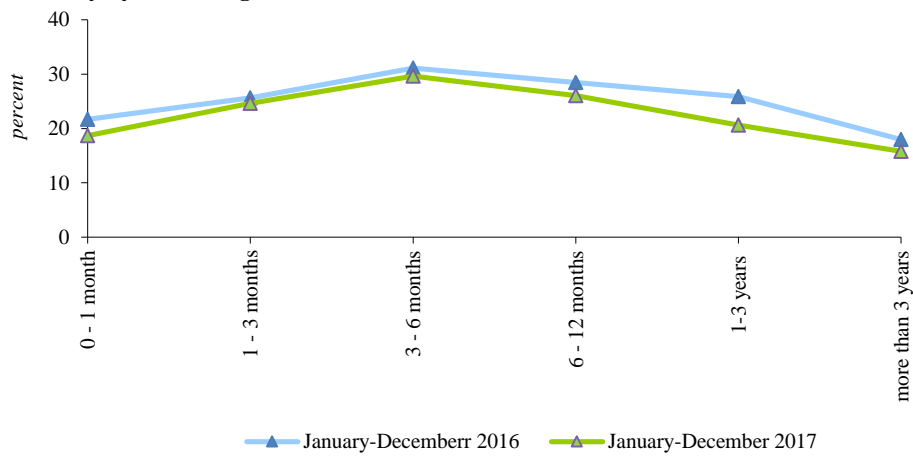
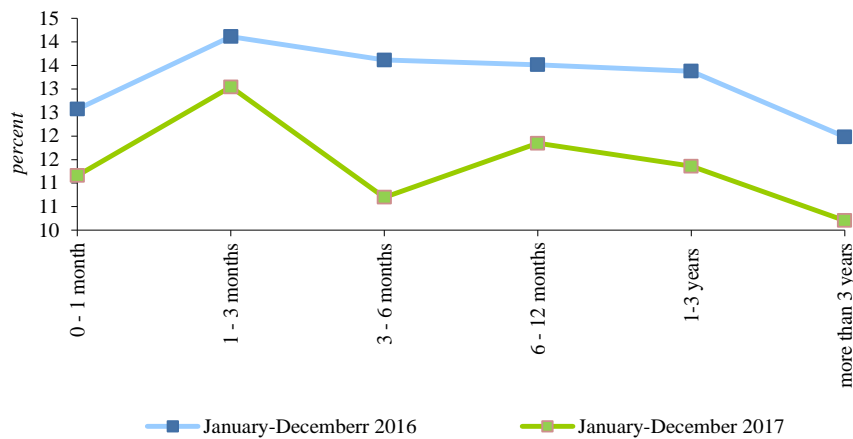


Chart 7. Average level of interest rates on new credits in foreign currency by term categories



By sectors, the interest rates on the newly issued credits in the national and foreign currency were characterized by the downward trend in the reporting period. Meanwhile, the credits in the national currency were still issued for the procurement and processing at the lowest rates (the weighted average interest rate for the period – 9.7 percent (-8 percentage points)), the consumer credits were issued at the highest rates (27.4 percent (-3.5 percentage points)). The credits in foreign currency were issued at the highest rates for the transport (the weighted average interest rate – 12.6 percent (-2.5 percentage points)), and at the lowest rates – for communication services (the weighted average interest rate – 9.4 percent (-2.1 percentage points)).