

## Credits (9 months of 2015)

In January-September 2015, the commercial banks continued to increase the credit portfolio on the background of a decrease in the interest rates of the foreign currency borrowings.

Moreover, in the reporting period, there was a slight deterioration in the quality of the credit portfolio of the banking system. Thus, a decrease in the share of the outstanding debt constituted 1.8 percent in the total volume of the credit portfolio, in quantitative terms the volume of such credits decreased by 1.6 percent from the beginning of the year. At the same time, the share of prolonged credits in the total volume of the credit portfolio increased by 0.5 percentage points and constituted 3.5 percent.

In the reporting period, implementation of the state project “Financing of agriculture-3” was initiated, the objective of the project was to provide state support to agricultural producers by subsidizing of the interest rates for the timely conduct of spring field works and further development of animal husbandry and processing sector of the agriculture. By the end of the reporting period the total credit debt on the project constituted KGS 3.3 billion or 3.5 percent of the aggregate volume of bank credit portfolio.

The volume of the credit portfolio of the operating commercial banks by the end of the reporting period constituted KGS 93.7 billion, having increased from the beginning of the year by 18.9 percent. Meanwhile, the credit portfolio share in KGS increased by 26.0 percent and constituted KGS 42.0 billion. The volume of issued credits in foreign currency by the end of September constituted KGS 51.6 billion, having exceeded the corresponding indicator as of the beginning of the year by 13.7 percent.

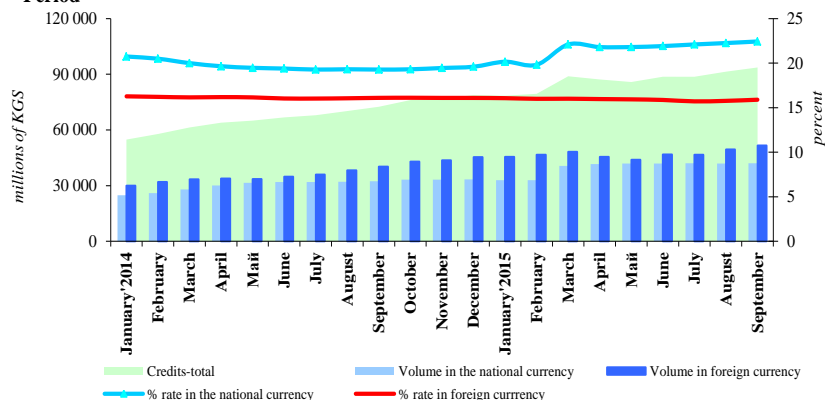
By the end of the reporting period the credit portfolio of the banks by sectors was distributed as follows as compared to the indicator at the beginning of the year: the share of credits for trade, which makes up the significant part of the credit portfolio, decreased by 1.7 percentage points (up to 33.8 percent). The share of the credits for industry also decreased down to 8.0 percent (-0.2 percentage points) and the credits for mortgage decreased down to 9.7 percent (-0.9 percentage points), the credits for procurement and processing – down to 0.4 percent (-0.1 percentage point). The decrease was observed in the credits for constructions, the share thereof decreased down to 5.7 percent, the credits for transport – down to 1.8 percent. The share of credits for agriculture increased up to 19.6 percent, by 1.3 percentage points, the credits for consumer needs increased up to 8.8 percent, by 0.3 percentage points, the credits for social services increased up to 2.8 percent, by 0.9 percentage points. Meanwhile, the share of other credits constituted 9.3 percent (+1.0 percentage points).

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 0.38, which demonstrates the distribution of the credits of the majority of the banks predominantly among three sectors.

The indicator of the general concentration of the lending market remained at the level of 0.09, which is equivalent to the distribution of the market among 12 banks.

Since the beginning of the year, the increase in the volume of long- and short-term credits was observed in the time structure of the banks’ credit portfolio. However, the share of

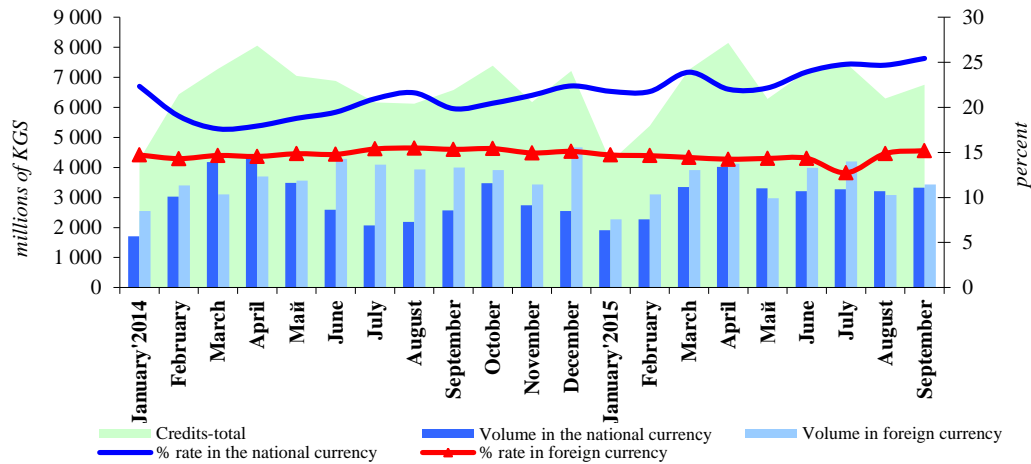
Chart 1. Dynamics of Credit Debt of the Commercial Banks as of the End of Period



the short-term credits (up to 1 year) increased from 15.5 to 20.6 percent, the share of long-term credits decreased from 82.3 to 77.6 percent. This structural distribution of the credit portfolio resulted however in the decrease of the duration indicator from 30.6 to 28.8 months.

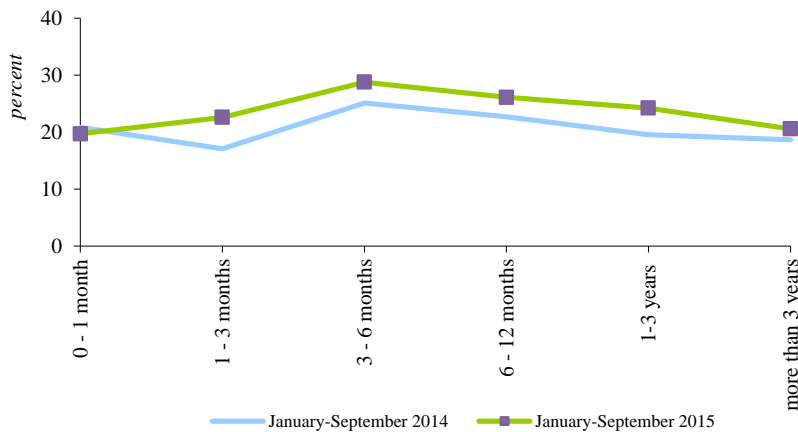
The volume of newly issued credits in January-September 2015 constituted KGS 58.9 billion, which is by 0.3 percent higher than the amount issued in the similar period of 2014. Credits in the national currency increased by 6.5 percent and in foreign currency decreased by 4.7 percent.

**Chart 2. Dynamics of Credits, Issued by the Commercial Banks Over the Period**

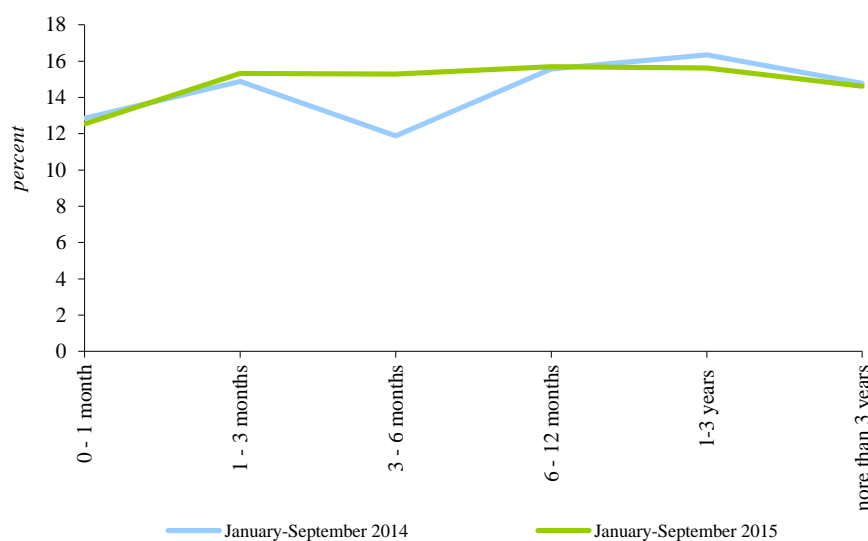


The average weighted interest rate on the newly issued credits in the national currency for January-September 2015 increased as compared to the similar indicator of 2014 by 3.65 percentage points and constituted 23.37 percent and the new credits in foreign currency decreased by 0.51 percentage points, up to 14.38 percent.

**Chart 3. Average Level of Interest Rates on New Credits in the National Currency by Term Categories**



**Chart 4. Average Level of Interest Rates on New Credits in Foreign Currency by Term Categories**



In January-September 2015, the volume of new credits issued for trade increased by 1.9 percent as compared to the corresponding period in 2014. This sector still remained the most significant in the structure of the newly issues credits (the average share for the period constituted 44.2 percent). In the reporting period there was a significant increase in the lending to the social services (by 2.7 times), the share of these credits increased approximately up to 2.8 percent. The volume of lending to the agriculture increased by 1.1 percent, which resulted to the increase in the share thereof by 0.1 percentage point, up to 18.1 percent. Moreover, the share of issued consumer credits increased from 8.2 to 10.2 percent (+27.8 percent). In the reporting period there was a significant increase in the volume of credits for communication from KGS 37.9 million to KGS 59.1 million. The share of the credits for industry, mortgage, transport, procurement and processing, construction and other credits constituted 24.0 percent.

By sections the change of the interest rates on the newly issued credits in the national currency was upward, and in the foreign currency the rates were mainly decreased in the reporting period. The increase of the rates on the credits issued in the national currency was observed in all sectors. Meanwhile, the credits in the national currency were issued for the industry by the lowest rates (in average for the period - 16.33 percent), for communication - by the highest rates (33.70 percent).

The rates in foreign currency decreased in all sectors except for the industry, transport, construction and consumer credits. The credits in foreign currency were issued at the highest rates for the consumer needs (in average for the period at 19.18 percent), and at the lowest rates – for communication (in average for the period at 13.64 percent).