

CREDITS

(January-March 2013)

In the first quarter 2013, the banks continued expanding credit portfolio against decrease of the interest rate on the loans both in the national and in the foreign currency. At that, increase in the volumes of trade crediting remained the most important factor of growth in the aggregate credit portfolio of the banks.

Moreover, slight decrease in the quality of banking system credit portfolio was observed in the reviewed period. Thus, in the first quarter 2013, the share of overdue debt in the total volume of credit portfolio increased by 0.5 percentage points, to 3.8 percents. Thus, despite decrease in the share of extended credits from 3.9 to 3.7 percent, the volume of such credits remained almost unchanged.

The state project "Agricultural Sector Financing" was launched in the current year, the objective thereof is to provide state support to the agricultural producers of the republic for the purposes of timely carrying out spring field works and further development of cattle breeding and processing sector in agriculture. Under the conditions of the project the Government should subsidy commercial banks and particular financial institutions for placing of soft credits at the interest rate of 10 percent per annum from the funds of the republican budget. The total volume of subsidies granted in the first quarter constituted KGS 180.6 million of KGS 400 million allocated from the budget funds within the framework of the project. As a result, the total loan debt on the project as of the end of March constituted KGS 1.1 billion or 2.7 percent of the aggregate volume of the bank credit portfolio.

As of the end of the first quarter 2013, the volume of credit portfolio of the operating commercial banks constituted KGS 42.5 billion having increased by 6.1 percent since the beginning of the year (adjusted for exchange rate changes the credit portfolio increased by 5.4 percent).

Chart 1. Dynamics of credit debt of the operating commercial banks at the period's end

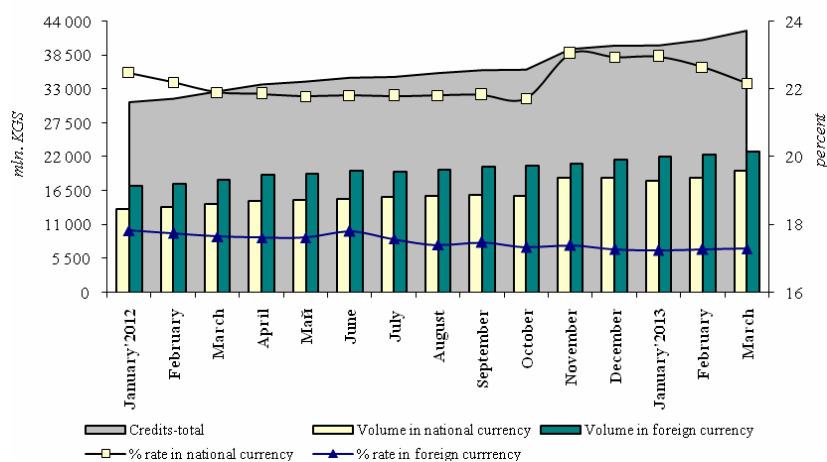


Table 1. Dynamics of credits in the operating commercial banks

Period	Credit debt at the period's end					Credits issued over a period				
	Total (ths. KGS)	In national currency		In foreign currency		Total (ths. KGS)	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
Total for Q1 2012	32 685 679,9	14 392 792,1	21,9	18 292 887,8	17,6	8 481 285,5	3 941 359,2	22,1	4 539 926,3	20,5
January 2013	40 138 512,4	18 156 081,1	23,0	21 982 431,3	17,2	2 887 593,3	1 095 375,6	24,3	1 792 217,7	20,1
February	41 024 653,2	18 661 062,3	22,7	22 363 590,9	17,3	4 441 078,4	2 013 448,8	20,6	2 427 629,6	19,2
March	42 538 638,5	19 659 130,6	22,2	22 879 507,9	17,3	4 672 812,2	2 523 706,8	19,6	2 149 105,4	20,6
Total for Q1 2013	42 538 638,5	19 659 130,6	22,2	22 879 507,9	17,3	12 001 483,9	5 632 531,2	21,5	6 368 952,7	20,0
Change over a period	9 852 958,6	5 266 338,5	0,3	4 586 620,1	-0,4	3 520 198,4	1 691 172,0	-0,6	1 829 026,4	-0,5
Increase rate	30,1%	36,6%		25,1%		41,5%	42,9%		40,3%	

At that, the KGS credit portfolio increased by 5.9 percent and constituted KGS 19.7 billion. As of the end of March, the volume of issued credits in the foreign currency constituted KGS 22.9 billion equivalent exceeding the corresponding index by 6.2 percent as of the beginning of the year (increase constituted 4.9 percent including the USD strengthening).

Within three months of 2013, the average weighted interest rate on the banks credits in the national currency decreased by 0.8 percentage points, to 22.2 percent, the interest rate in the foreign currency remained at the level of 17.3 percent.

Table 2. Change in credit portfolio of the commercial banks for OI 2013 by sectors and term categories

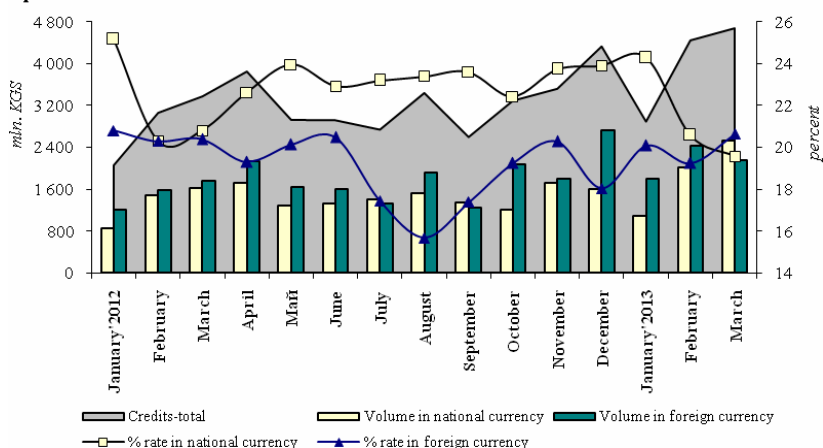
	Total	including						
		0-1 month	1-3 months	3-6 months	6-12 months	1-3 years	More than 3 years	Overdue debt
Overall change	2 433 263,2	235 399,2	-465 932,3	168 154,6	-114 937,0	1 523 408,8	785 841,1	301 328,8
<i>including by currency:</i>								
in national currency	1 101 239,2	19 909,3	-358 261,8	-123 264,9	318 679,7	948 413,0	53 697,0	242 066,9
in foreign currency	1 332 024,0	215 489,9	-107 670,5	291 419,5	-433 616,7	574 995,8	732 144,1	59 261,9
<i>including by sectors:</i>								
Industry	469 750,8	-1 971,3	28 934,4	269 668,7	-149 477,4	100 381,7	211 184,7	11 030,0
Agriculture	920 514,1	-23 866,4	-173 265,7	-71 373,9	499 333,0	655 141,1	-3 570,2	38 116,2
Transportation	74 200,1	492,4	-2 254,8	-571,5	1 705,6	49 338,7	13 968,6	11 521,1
Communication	-20 240,4	0,0	0,0	28 088,2	-45 031,7	-1 370,0	-1 926,9	0,0
Trade	753 119,5	164 012,9	-207 297,9	-147 062,1	-137 201,3	568 789,0	325 570,4	186 308,5
Procurement and processing	3 366,4	51,4	-608,6	2 606,9	1 695,8	-213,1	-472,7	306,7
Construction	108 903,5	-29 834,2	47 095,2	24 908,6	-83 226,4	64 569,4	76 675,5	8 715,4
Mortgage	168 449,6	36,5	-3 700,8	-883,3	1 087,8	30 536,7	125 647,1	15 725,6
Consumer credit	-90 514,8	20 109,9	-46 067,3	-34 574,7	-8 777,3	-76 247,9	40 199,6	14 842,9
Social services	60 524,5	-373,9	14 579,7	-28 332,2	38 732,5	-6 050,2	30 811,2	11 157,4
Other	-14 810,1	106 741,9	-123 346,5	125 679,9	-233 777,6	138 533,4	-32 246,2	3 605,0

At the end of the reviewed period, the credit portfolio of the banks was distributed by sectors as follows. In January-March 2013, the share of credits to trade, normally constituting the major part of the credit portfolio, decreased by 0.5 percentage points (to 39.4 percent). The share of credits to mortgage decreased from 9.6 to 9.5 percent, construction – from 5.5 to 5.4 percent, consumer credits decreased from 9.4 to 8.7 percent. Moreover, the share of credits to agriculture increased by 1.3 percentage points, to 16.4 percent, the total share of credits to manufacturing industry increased by 0.8 percentage points, to 6.4 percent. Credits issued to the sphere of transportation, communication, procurement and processing, social services were still insignificant and constituted 4.4 percent. The share of “other” credits decreased from 10.3 to 9.7 percent.

However, the credit portfolio of many banks remained concentrated in separate sectors. Thus, index reflecting concentration of the banks credit portfolio in separate sectors constitutes 0.44; it indicates that credits of many banks are distributed between two sectors. Moreover, concentration of credits in each separate sector was high: in 6 of 10 sectors the index value constituted 0.18, which indicates the presence of small number of banks in these sectors. The index of the total crediting market concentration decreased by 0.01 percentage point compared to 0.09 percentage points of the previous quarter, which is equivalent to market sharing between 11 banks.

Decrease in the volume of credits issued for 1-3 months and with maturity periods from 6 months to 1 year was observed in the time structure of the banks credit portfolio. Thus, the share of long-term credits increased from 73.9 to 75.1 percent, due to decrease in the aggregate

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



share of short-term credits (up to one year) from 22.8 to 21.1 percent and slight growth of overdue debt. Such adjustment in the term structure of credit portfolio resulted in growth of duration index from 27.6 to 27.9 months.

In the first quarter of 2013, the volume of newly issued credits constituted KGS 12.0 billion, having increased by 41.5 percent compared to the amount of the corresponding period in 2012. The volume of credits issued in the national currency increased by 42.9 percent; the volume of credits in the foreign currency increased by 40.3 percent.

The average weighted interest rate on newly issued credits in the national currency decreased by 0.6 percentage points, to 21.5 percent compared to the index of 2012, the rate in the foreign currency decreased by 0.5 percentage points, to 20.0 percent.

The major volume of credits was issued for the term from one to three years, as a result, the share of long-term credits in the time structure of newly issued credits increased by 2.2 percentage points, to 69.4 percent. Moreover, the share of credits issued for 0-1 month considerably increased by 5.2 percentage points in the structure of short-term crediting. As a result, duration of newly issued credits decreased from 23.7 to 23.6 months.

Chart 3. Sectoral structure of issued credits

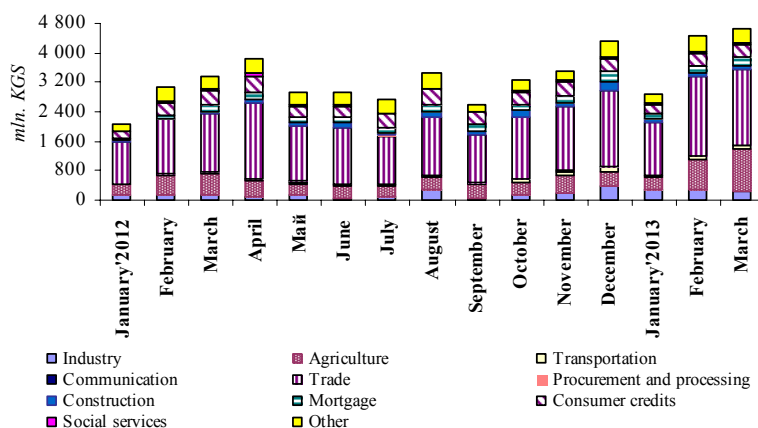


Chart 4. Structure of newly issued credits in national currency

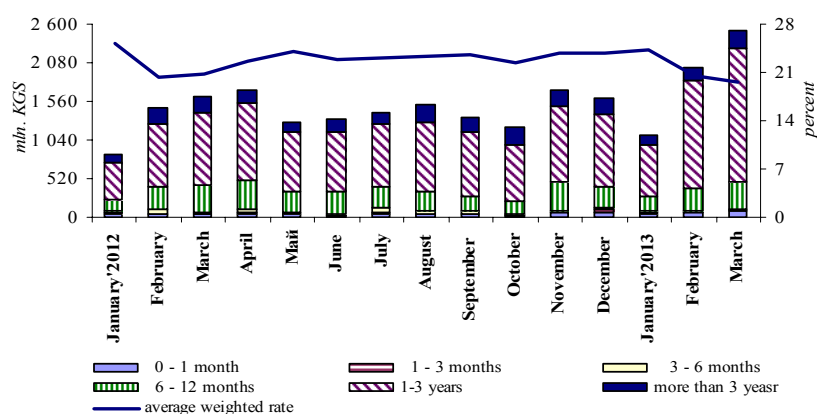


Chart 5. Structure of newly issued credits in foreign currency

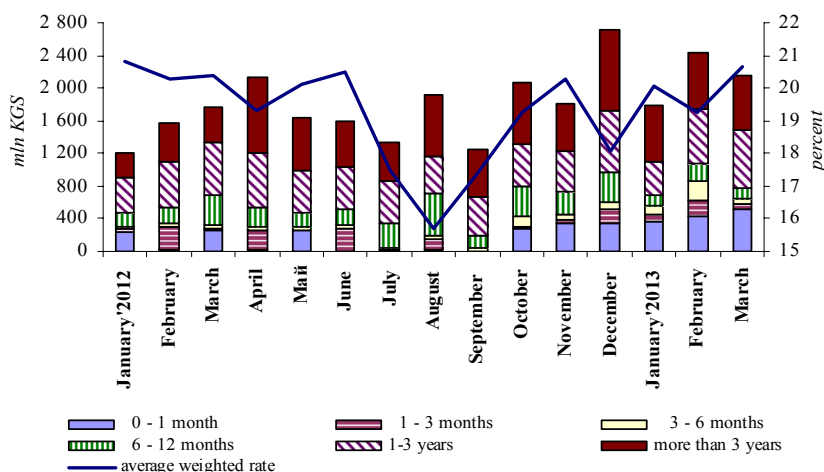


Table 3. Change in the credit flow of the commercial banks for Q1 2013 in comparison with Q1 2012 by sectors and term categories

ths. KGS

		including					
		0-1 month	1-3 months	3-6 months	6-12 months	1-3 years	More than 3 years
Overall change	3 520 198,4	884 737,6	-4 333,5	244 259,8	-235 266,6	1 801 744,7	829 056,4
<i>including by currency:</i>							
in national currency	1 691 172,0	70 483,5	-981,0	-41 907,4	23 171,9	1 638 107,6	2 297,4
in foreign currency	1 829 026,4	814 254,1	-3 352,5	286 167,2	-258 438,5	163 637,1	826 759,0
<i>including by sectors:</i>							
Industry	423 291,6	3 000,0	6 601,5	205 933,5	-50 315,5	54 405,1	203 667,0
Agriculture	804 580,3	0,0	-1 491,5	4 653,7	70 366,3	829 915,6	-98 863,8
Transport	162 198,9	0,0	0,0	715,7	9 630,0	131 952,0	19 901,2
Communication	-15 127,0	0,0	0,0	0,0	-30,0	-1 150,0	-13 947,0
Trade	1 536 753,2	726 699,0	-270 632,4	29 958,2	-23 461,4	557 714,9	516 474,9
Procurement and processing	7 253,4	0,0	0,0	100,0	10 580,0	2 030,0	-5 456,6
Construction	141 061,8	0,0	0,0	3 312,0	-36 162,9	122 678,9	51 233,8
Mortgage	251 025,1	0,0	33 527,9	651,0	4 108,2	100 676,2	112 061,8
Household	-49 311,8	45 157,2	-5 243,4	-14 724,9	-117 570,1	-32 464,4	75 533,8
Social services	66 322,0	0,0	-1 125,9	640,0	3 030,0	70 225,5	-6 447,6
Other	192 150,9	109 881,4	234 030,3	13 020,6	-105 441,2	-34 239,1	-25 101,1

The volume of credits issued to trade increased by 37.1 percent this sector remains the most substantial in the structure of newly issued credits (47.3 percent). Growth of the agriculture crediting was observed in the reviewed period (by 56.0 percent), the share of such credits increased by 1.7 percentage points, to 18.7 percent. The volume of mortgage credits increased by 80.2 percent it resulted in increase of the share thereof by 1.0 percentage points, to 4.7 percent. Moreover, the volume of issued consumer credits decreased by 5.3 percent and their share decreased from 11.1 to 7.4 percent. The share of credits to industry, transportation, communication, procurement and processing, construction and social services constituted 12.9 percent. The share of "other" credits decreased by 1.5 percentage points and constituted 9.0 percent.

In the structure of branches, change of interest rates on newly issued credits both in the national and in the foreign currency was oppositely directed. Decrease of the interest rates on the credits in the national currency was observed in such sectors as industry, transportation, trade and consumer crediting. While, credits to agriculture were issued at the lowest interest rates (average

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

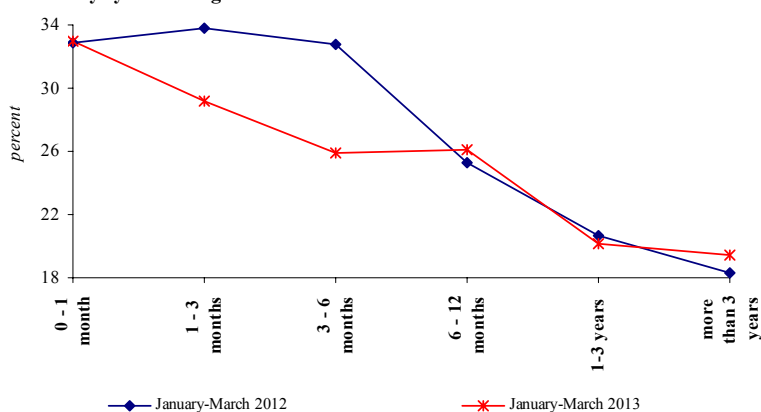
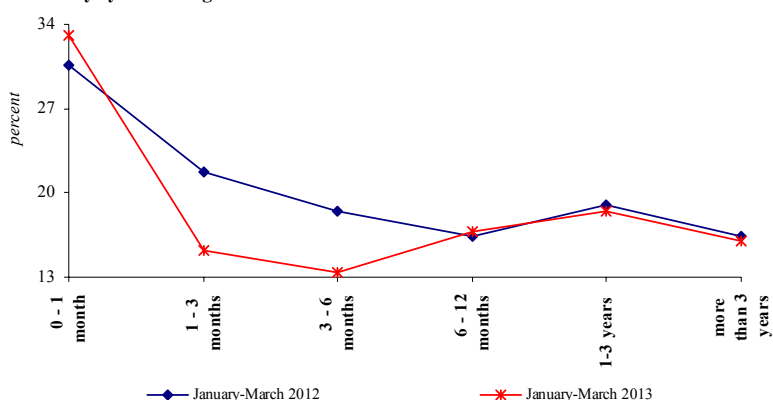


Chart 7. Average level of interest rates on new credits in foreign currency by term categories



interest rate constitutes 19.2 percent for the period), credits for communication were issued at the highest interest rates (31.0 percent).

The interest rates in the national currency decreased in all sectors, excluding trade and construction (in the reviewed period credits for communication sector and for the purposes of procurement and processing were not issued, the average weighted interest rate of credits issued for social services remained unchanged). The highest rate credits in the national currency were issued to trade (in average 23.1 percent), the lowest rate credits were issued to the industrial sector (in average 13.2 percent for the period).

In the first quarter 2013, the average value of real interest rate on the credits in the national currency constituted 20.1 percent compared to 21.1 percent in the corresponding period of the previous year.