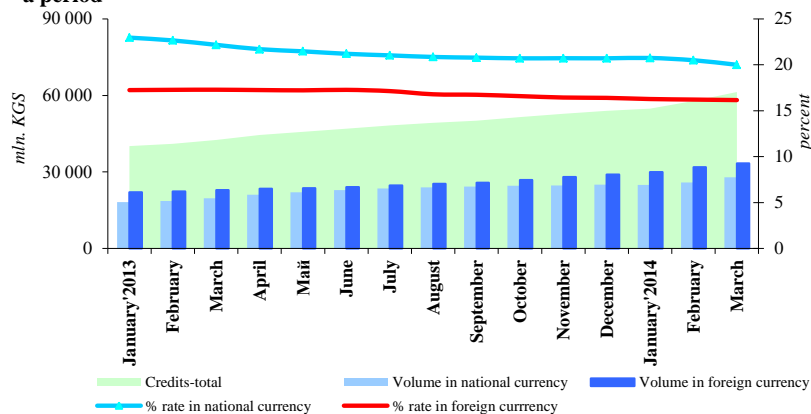


Loans (3 months of 2014)

In January-March 2014 the commercial banks kept increasing the loan portfolio on the background of decreasing the interest rate both on KGS and currency borrowings. As before, one of the peculiarities of the growth of the aggregate loan portfolio of banks in the reporting period was the significant increase in the volume of the loans for agriculture that was possible particularly as a result of implementing the measures on state support of the given sector.

Chart 1. Dynamics of credits, issued by the commercial banks over a period



In the reporting period, there was a slight aggravation of quality characteristics of the loan portfolio of the banking system. Thus, significant decrease of the share of outstanding debt constituted 3.2 percent in the general loan portfolio. However, in quantitative expression the volume of such loans increased from the beginning of the year by 13.7 percent. At the same time the specific balance of prolonged loans in the general loan portfolio increased by 0.6 percentage points and constituted 3.8 percent.

In the reporting period the implementation of the project “Financing of agriculture-2” was launched the aim of which was the provision of state support to the agricultural sector of the country for timely spring works and further development of livestock farming and processing sector in agriculture. According to the project terms, the government subsidizes commercial banks and specialized financial and credit institutions for depositing privileged loans on the rate of 10 percent per annum from the republican budget for the sectors of crop production and livestock farming; 9 percent per annum for the sector of processing the agricultural products. By the end of the reporting period the total loan debt on the project constituted 1.7 billion KGS or 2.8 percent of the aggregate volume of bank loan portfolio.

The volume of the loan portfolio of the operating commercial banks by the end of the reporting period constituted 61.3 billion KGS having increased from the beginning of the year by 13.7 percent. The KGS part of the loan portfolio increased by 11.5 percent having constituted 27.9 billion KGS. The volume of issued loans in the foreign currency by the end of March constituted 33.4 billion KGS having exceeded the corresponding indicator at the beginning of the year by 15.5 percent.

In January-March 2014 the average weighted interest rate on loans of the banks in the national currency decreased by 1.8 percentage points up to 19.6 percent and in foreign currency the rate constituted 14.6 percent (-5.4 percentage points).

By the end of the reporting period the loan portfolio of the banks by sectors was distributed as follows as compared to the indicator at the beginning of the year: the share of loans for trade that makes up the significant part of the loan portfolio increased by 0.4 percentage points (up to 37.2 percent). The specific weight of the loans for industry also increased up to 8.5 percent (+0.4 percentage points) and loans for agriculture up to 18.5 percent (+1.1 percentage points). The decrease was observed in the loans for consumer needs the share of which decreased by 8.1 percent. The specific weight of other loans also decreased by 0.4 percentage points up to 8.5 percent, for construction – by 0.4 percentage points, up to 5.4 percent, social services – by 0.1 percentage points up to 1.3 percent and transport – by 0.1 percentage points up to 2.0 percent. At the same time the share of loans for communication

and storage and processing remained unchanged having constituted 0.1 and 0.2 percent respectively.

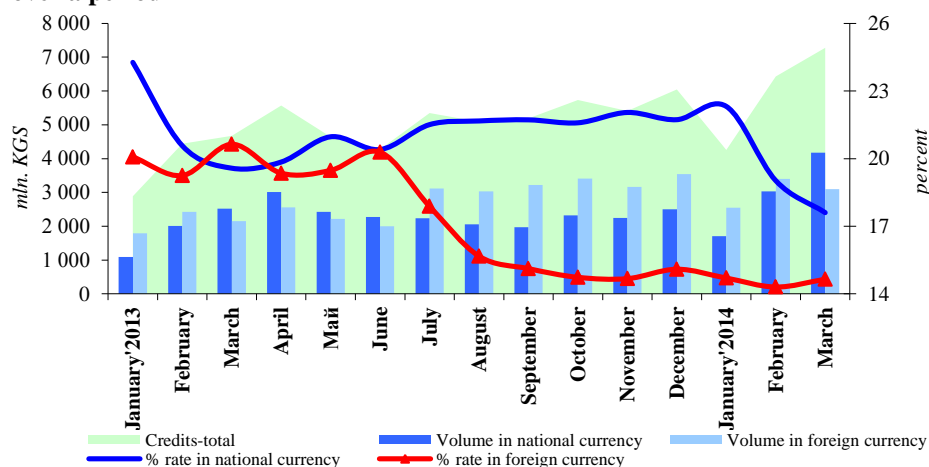
In its turn, the portfolio of the majority of the banks remained highly concentrated in separate sectors. Thus, the index indicating the concentration of the loan portfolio of the banks in the sectors constituted 0.50 which demonstrated the distribution of the loans of the majority of the banks predominantly among the two sectors.

The indicator of the general concentration of the market of crediting remained at the level of 0.10 which is equivalent to the distribution of the market between the 10 banks.

From the beginning of the year, the decrease in the volume of loans issued for the period of 1 month to 6 months was observed in the time structure of the loan portfolio of the banks. Thus, due to the decrease in the aggregate specific weight of the short-term loans (up to one year) from 17.0 to 16.4 percent as well as decrease in the share of outstanding debt from 3.3 to 3.2 percent, the share of long-term loans increased from 79.8 to 80.4 percent. This structural distribution of the loan portfolio in its turn led to the growth of the duration indicator from 29.6 to 30.1 months.

The volume of newly issued loans in January-March 2014 constituted 18.0 billion KGS, which is by 49.7 percent higher of the amount issued in the similar period of 2013. Loans in the national currency increased by 58.3 percent and in the foreign currency by 42.0 percent.

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



The average weighted interest rate on the newly issued loans in the national currency for January-March 2014 decreased as compared to the similar indicator of 2013 by 1.8 percentage points having constituted 19.6 percent and in foreign currency by 5.4 percentage points up to 14.6 percent.

Chart 3. Average level of interest rates on new credits in national currency by term categories

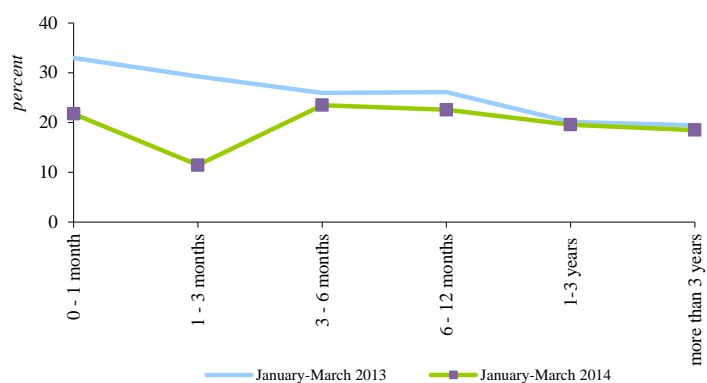
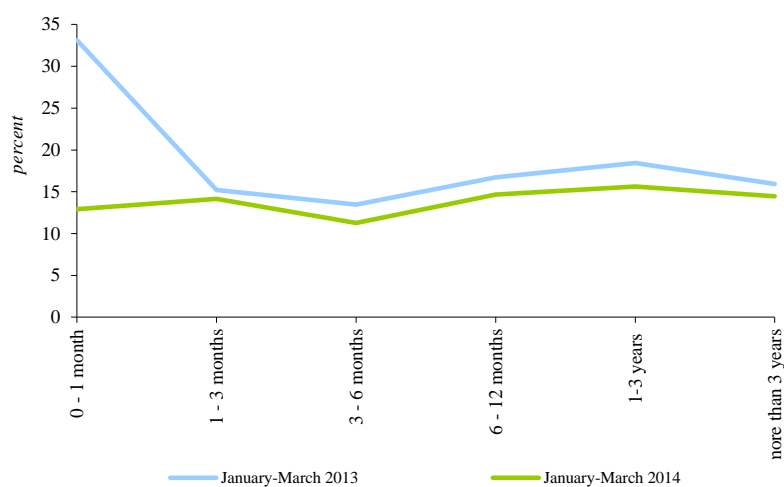


Chart 4. Average level of interest rates on new credits in foreign currency by term categories



The volume of loans issued for trade increased by 49.4 percent. This sector remained the most significant in the structure of the newly issues loans as before (the average specific weight for the period constituted 47.9 percent). In the reporting period there was a significant increase in the crediting of the industry (by 77.6 percent), the share of these loans increased by 0.5 percentage points up to 7.7 percent. The volume of loans for agriculture increased by 73.3 percent, which led to the increase in their share by 3.2 percentage points, up to 20.8 percent. Volume of the issued consumer loans (+29.8 percent). However, their share decreased by 7.5 to 6.7 percent. In the reporting period there was a significant increase in the volume of loans for communication from 50.0 million KGS to 3.3 billion KGS. The specific weight of the loans for mortgage, transport, communication, storage and processing, construction and social services in the amount constituted 8.9 percent. The share of other loans decreased by 1.7 percentage points and constituted 7.3 percent.

By sections the change of the interest rates on the newly issued loans in the national currency was diverse, and in the foreign currency the rates were mainly decreased. On loans in the national currency the decrease of the rates was noted in all sectors except for the loans for social services. At the same time, loans in the national currency by the lowest rates were issued for the storage and processing (in average for the period of 14.4 percent), by the highest for communication (31.0 percent).

In the foreign currency the rates decreased in all sectors except for the industry. The loans in foreign currency on the higher rates were issued for the storage and processing (in average for the period of 20.0 percent), and on the lowest rates– for construction (in average for the period by 13.2 percent).