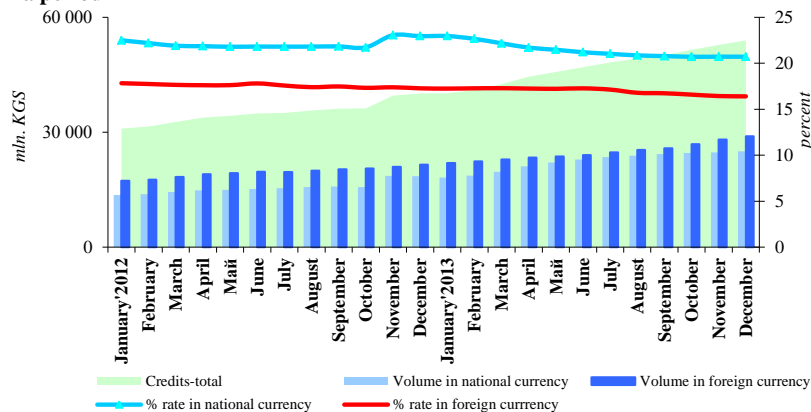


Loans (12 months of 2013)

The banks keep growing the loan portfolio against the decrease of the interest rate on KGS as well as currency loans in January-December 2013. One of the features of cumulative loan portfolio of banks in the reporting period was the significant increase in the volume of loans to the agriculture that has become possible, particularly, as a result of the state support measures.

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



At the same time, worsening of quality characteristics of the loan portfolio of the banking system was noted in the reporting period. Thus, the growth of the share of outstanding debts constituted 3.3 percent in the overall volume of credit portfolio; in quantitative expression the volume of such loans increased by 36.3 percent. The specific weight of prolonged loans in the total volume of the loan portfolio decreased by 0.6 percentage points and constituted 3.2 percent.

Implementation of the government program “Financing of the agriculture” with the aim of providing state support to the agricultural producers of the republic for timely spring-fieldwork and further development of livestock farming and manufacture in agricultural sector. According to the project conditions, the Government subsidizes commercial banks and specialized financial institutions for provision of soft loans at the rate of 10 percent per annum from the republican budget. By the end of December the total loan debt on the project constituted 3.1 billion KGS or 5.8 percent of the total volume of bank loan portfolio.

The volume of the loan portfolio of the commercial banks by the end of December 2013 constituted 54.0 billion KGS having increased by 34.5 percent. The KGS portion of the loan portfolio increased by 34.9 percent and constituted 25.0 billion KGS. The volume of issued loans in foreign currency by the end of December constituted 28.9 billion in KGS having exceeded the corresponding indicator by 34.2 percent.

In January-December 2013 the average weighted interest rate of bank loans in the national currency decreased by 0.7 percentage points up to 21.4 percent and in foreign currency the rate constituted 17.0 percent (-0.6 percentage points).

By the end of the reporting period, the loan portfolio of the banks by sections was as follows as compared to the similar period of 2013: the share of loans to trade that takes a significant part of the loan portfolio decreased by 3.2 percentage points (to 36.8 percent). The specific weight of other loans decreased by 8.8 percent (-1.5 percentage points) and for consumer needs from 9.4 to 9.0 percent. The decrease was also observed in the loans for social services, the share of which decreased by 1.4 percent. Specific weight of loans for communication decreased by 0.1 percent up to 0.1 percentage points, for transport – by 0.2 percentage points, up to 2.2 percent. At the same time the share of loans for agricultural sector increased (by 2.2 percentage points to 17.3 percent), mortgage (by 0.6 percentage points to 10.3 percent), industry (by 2.4 percentage points up to 8.1 percent) and for construction (by 0.3 percentage points up to 5.8 percent). Share of loans for the storage and manufacturing did not change from the beginning of the year having constituted 0.2 percent.

In its turn, the portfolio of the majority of banks remained highly concentrated in separate sectors. Thus, the index of concentration of loan portfolio of banks in sections constituted 0.41 which indicates to the distribution of loans of the majority of banks between

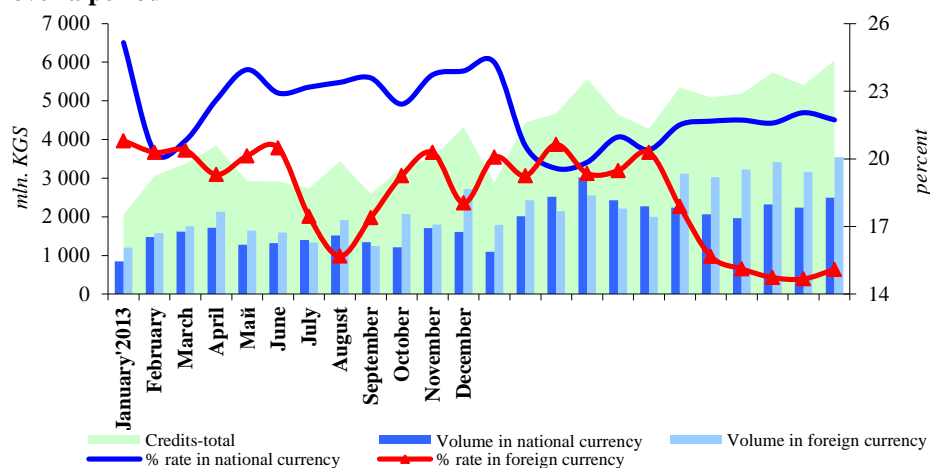
the two sections. Besides, the concentration of loans separately in each section was also high: in 8 out of 11 branches the value of the index constituted more than 0.18, which indicates to the presence of a big number of the banks in this sections.

The indicator of the general concentration of loan market remained at the level of 0.09, which is equivalent to the section of the market between the 11 banks.

The temporary structure of the loan portfolio of banks observed the decrease in the volume of loans issued for a period from 1 to 3 months and from 3 to 6 months. Thus, due to the decrease in the cumulative specific weight of short-term loans (up to one year) from 22.8 to 17.0 percent, as well as the increase in the share of outstanding debts from 3.2 to 3.3 percent, the share of long-term loans increased from 73.9 to 79.8 percent. This adjustment of the temporary structure of the loan portfolio led to the growth of the duration indicator from 27.6 to 29.6 months.

The volume of loans newly issued in January-December 2013 constituted 59.3 billion KGS which is by 55.8 percent is higher of the amount issued in the similar period of 2012. Loans in the national currency increased by 56.4 percent and in foreign currency by 55.4

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 the period of January-December 2013 decreased as compared to the similar indicator of 2012 by 1.7 percentage points and constituted 21.3 percent, in foreign currency – by 1.4 percentage points up to 17.7 percent.

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

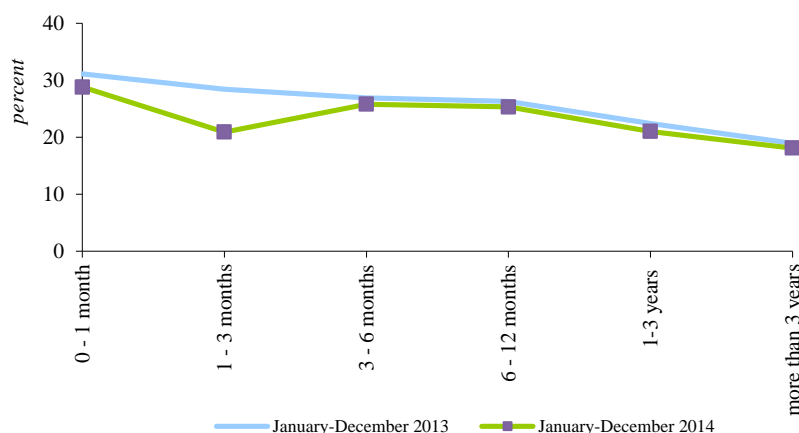
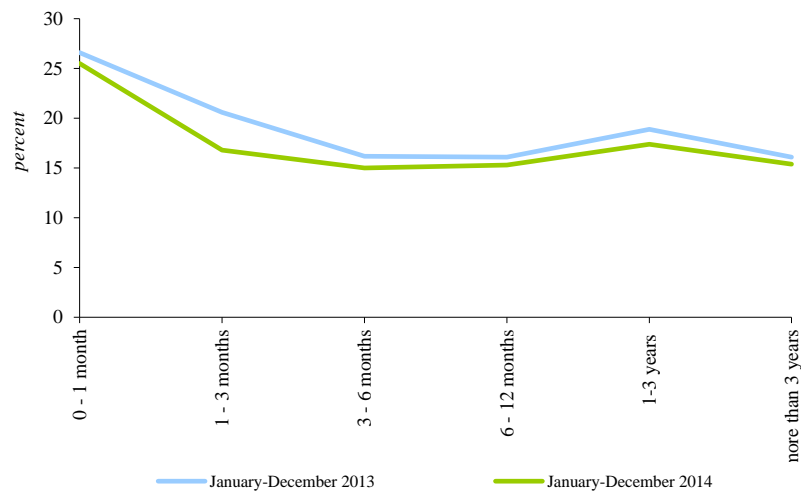


Chart 4. Average level of interest rates on new credits in foreign currency by term categories



The volume of issued loans for trade increased by 48.5 percent. This section still remains the most significant in the structure of the newly issued loans (47.3 percent). In the reporting period there was a significant increase in the crediting of manufacture (2.5 times higher), and the share of these loans increased by 2.8 percentage points up to 7.5 percent. The volume of loans for agriculture increased by 2.0 times, which led to the increase in their share by 3.1 percentage points up to 15.4 percent. The volume of issued consumer loans increased (+27.5 percent), however, their share decreased from 10.9 to 8.9 percent. Specific weight of loans for mortgage, transport, communication, storage and manufacturing, construction and social services constituted 12.6 percent. The share of other loans decreased by 2.1 percentage points and constituted 8.2 percent.

In the structure of sections the change of interest rates of newly issued loans in the national currency was diverse, and the rates in the foreign currency showed decrease. Regarding the loans in the national currency the decrease in the rates was observed in such sections as industry, agriculture, transport, trade, consumer crediting, mortgage, construction and other loans. Loans at the lowest rates in the national currency were issued to the sector industry (in average for the period by 16.9 percent), at the highest rate – to the sector of communication (27.3 percent).

The rates in foreign currency decreased in all sectors. Loans in foreign currency at higher rates were issued for storage and manufacturing (in average for the period by 20.2 percent), at the lowest rates – for construction (in average for the period by 13.2 percent).