

Credits (9 months 2016)

In January-September 2016, there was gradual decrease of the credit portfolio in the commercial banks.

The volume of the credit portfolio of the operating commercial banks by the end of the reporting period constituted KGS 91.6 billion, having decreased from the beginning of the year by 2.5 percent. Meanwhile, the credit portfolio in the national currency increased by 22.6 percent and constituted KGS

51.7 billion. The volume of credits issued in foreign currency constituted 39.9 billion in KGS equivalent, having decreased by 22.9 percent from the beginning of the year. The credit portfolio increased by 2.5 from the beginning of the year, without taking into account changes in the exchange rate.

The weighted average interest rate on the credit portfolio constituted 19.00 percent (+0.12 percentage points), in the national currency – 22.77 percent (-0.03 percentage points), in foreign currency – 14.12 percent (-1.58 percentage points) at the end of the reporting period.

In the reporting period, there was a slight deterioration in the quality of the credit portfolio of the banking system. Thus, the share of the outstanding debt constituted 2.6 percent in the total volume of the credit portfolio, in quantitative terms the volume of such credits increased by 30.3 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 1.2 percentage points and constituted 6.0 percent.

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 0.33, 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 constituted 0.08, which is equivalent to the distribution of the market among 12 banks.

Since the beginning of the year, the decrease in the volume of short-term credits and the increase of the long-term credits were observed in the time structure of the banks' credit portfolio. However, the share of the long-term credits (up to 1 year) decreased from 77.6 to 77.0 percent, the share of the short-term credits decreased from 20.5 to 20.4 percent. This structural distribution of the credit portfolio did not influence significantly the duration indicator, which constituted 28.4 months.

The total volume of newly issued credits in January-September 2016 constituted KGS 72.2 billion, which is by 22.5 percent higher than the amount issued in the similar period of 2015. The credits issued in the national currency increased by 65.4 percent and the credits issued in foreign currency decreased by 15.9 percent.

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

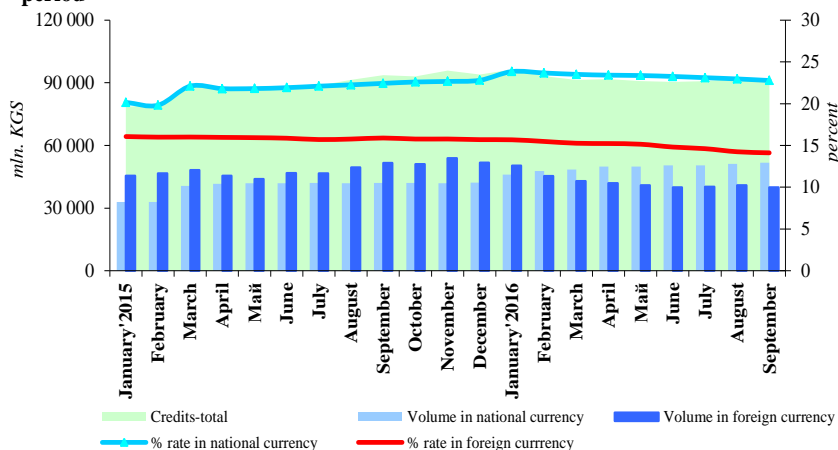
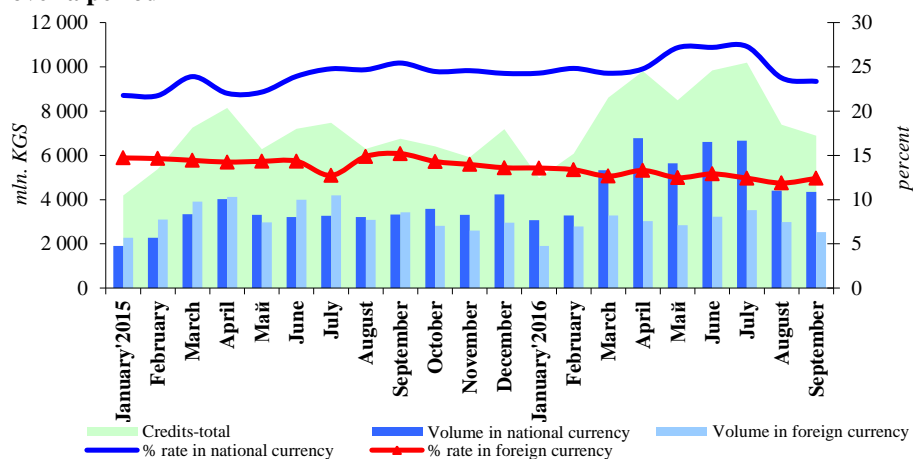


Chart 2. Dynamics of credits, issued by the commercial banks over a period



The weighted average interest rate on the newly issued credits in the national currency in January-September 2016 increased as compared to the similar indicator of 2015 by 1.98 percentage points and constituted 25.5 percent and the new credits in foreign currency decreased by 1.58 percentage points, down to 12.7 percent.

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

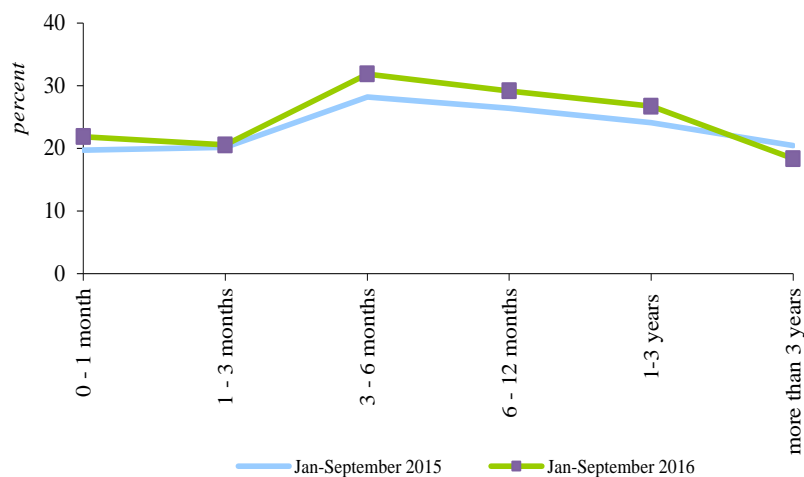
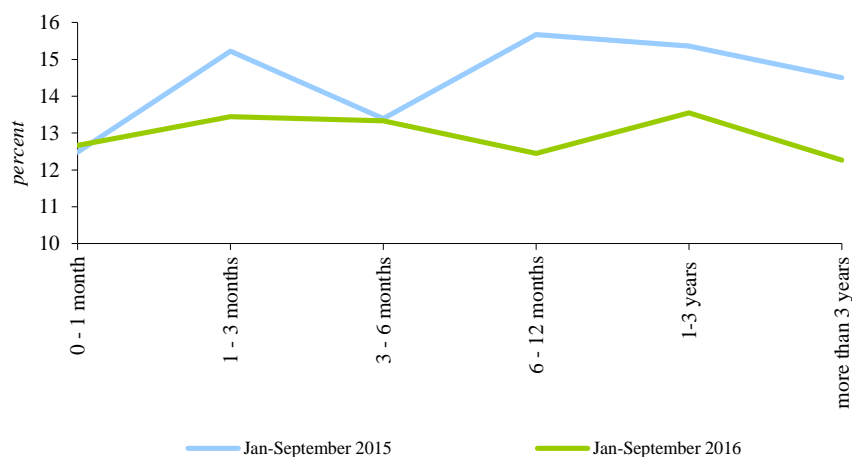


Chart 4. Average level of interest rates on new credits in foreign currency by term categories



By sectors the change of the interest rates on the newly issued credits in the national and foreign currency was multidirectional in the reporting period. Meanwhile, the credits in

the national currency were issued for industry at the lowest rates (the weighted average interest rate for the period - 16.28 percent), for consumer needs - at the highest rates (31.42 percent).

The rates in foreign currency decreased in all sectors except for the rates on the consumer credits. The consumer credits in foreign currency were issued at the highest rates (the weighted average interest rate - 16.42 percent), and at the lowest rates – for construction (the weighted average interest rate - 12.47 percent).