

## Deposits (January-March 2012)

In general, the first quarter of 2012 was characterized by the persistence of the growth of deposit base in the banking system of the country. The general level of interest rates in national and foreign currencies has not changed significantly. The increase in the portfolio was on the background of prevalence of the growth rates of its foreign exchange component. The main contribution to the growth of the deposit base was made by the increase in cash balances on current accounts of companies, as well as the growth of fixed-term deposits.

At the end of the reporting period, the volume of the deposit base of commercial banks amounted to 42.2 billion KGS having increased since the beginning of the year by 9.2 percent. The increase was due to the growth of foreign exchange component of the deposit base by 11.1 percent and by deposits in KGS by 7.3 percent (excluding the strengthening of the US dollar, the deposit base increased by 8.8 percent). Due to higher rates of growth in foreign currency deposits, the dollarization level of the deposit base increased by 0.9 percentage points to 51.0 percent at the end of March.

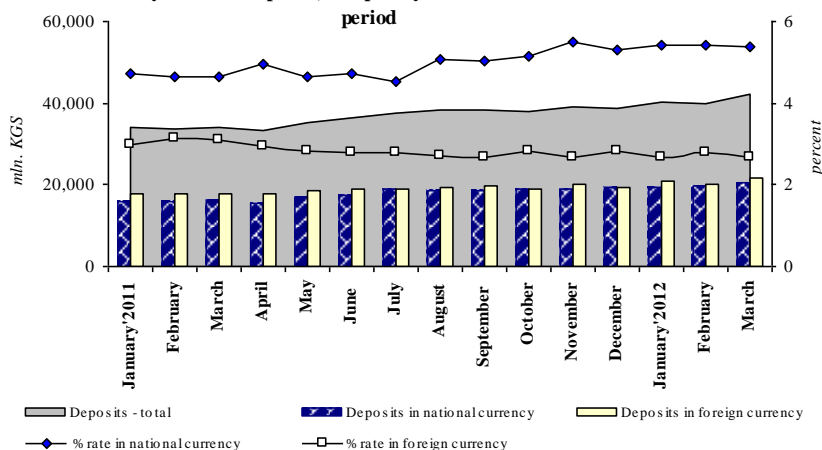
Despite the positive trend of growth of deposits of the population, their share in the structure of the deposit base decreased from 39.3 to 38.7 percent.

In the first quarter of 2012, there was a slight decrease in the urgency of attracted resources in the time structure of the deposit base.

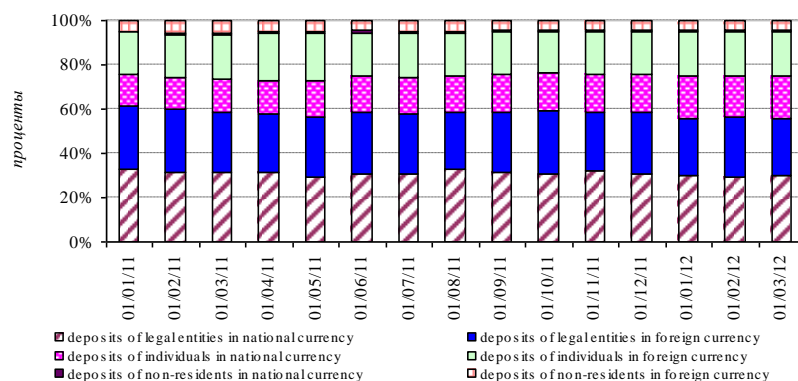
The share of funds on current accounts increased from 40.0 to 40.5 percent, while the share of fixed-term deposits decreased from 35.6 to 35.3 percent. The volume of balances on demand deposits of banks' clients increased (by 8.1 percent), while their share for the quarter decreased from 24.4 to 24.2 percent. The structure of fixed-term deposits changed towards reducing the share of long-term deposits (over one year) by 0.6 percentage points to 10.3 percent in the total deposit base (or 29.2 percent in the volume of fixed-term deposits), while the share of short-term deposits increased by 0.3 percentage points to 25.0 percent. As a result, the duration of fixed-term deposits decreased from the beginning of the year from 15.3 to 14.9 months, and the duration of the total deposit base - from 5.5 to 5.3 months.

The index of market concentration developed at a rate of 0.11, which corresponds to the average level of concentration and is equivalent to the presence of nine participants in the market with equal shares.

**Chart 1. Dynamics of deposits, accepted by the commercial banks over a period**



**Chart 2. Deposit structure by depositors**



In this period, there was an increase in the inflow of deposits<sup>1</sup> in commercial banks. The volume of newly accepted deposits in the first quarter of 2012 amounted to 49.9 billion KGS having increased by 28.0 percent compared to the same period in 2011.

The volume of newly accepted deposits in national currency amounted to 24.8 billion KGS (+35.3 percent) and in foreign currency - 25.2 billion in KGS equivalent (+21.5 percent).

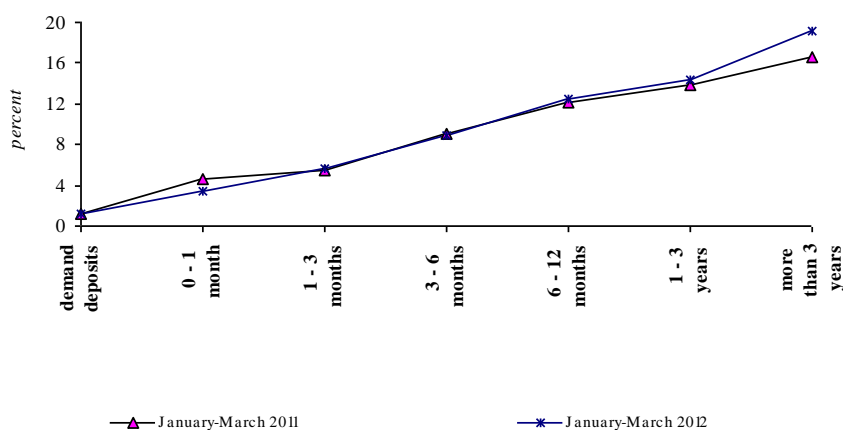
In structural section, the increase of newly accepted deposits was mainly achieved by the growth in on-demand deposits, which increased during the period by 29.0 percent. While the share of on-demand deposits increased from 89.6 to 90.3 percent with a proportional reduction in the share of fixed-term deposits due to the negative growth rates of long-term component, in particular, deposits with a maturity of 1 to 3 years. As a result, the average duration of newly accepted deposits in comparison with the same period in 2011 decreased by 0.2 percent to 1.1 months, and the duration of fixed-term deposits decreased from 12.8 to 11.6 months.

The weighted average interest rate on newly accepted deposits in national currency amounted to 2.1 percent having increased by 0.1 percentage points in annual terms due to the increase in the share of fixed-term deposits. The weighted average interest rate on these deposits amounted to 10.6 percent (-0.3 percentage points), and on demand deposits rate increased by 0.1 percentage points to 1.3 percent.

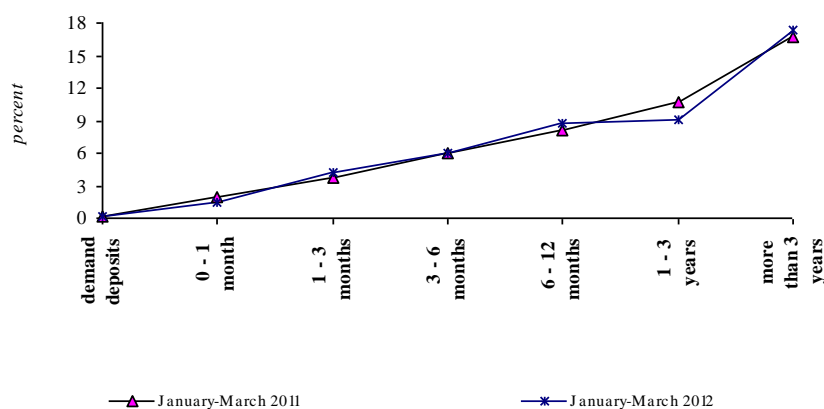
In terms of banks, the average interest rate on newly accepted fixed-term deposits in national currency rose in 10 out of 22<sup>2</sup> commercial banks, and the rates decreased in the rest banks. The average value of the real interest rate on fixed-term deposits in national currency in the first quarter of 2012 was 9.6 percent compared to 4.2 percent in the same period of the previous year.

The interest rate on newly accepted deposits in foreign currency decreased by 0.3 percentage points to 0.8 percent, mainly due to the increase in the share of on-demand deposits and decrease in the rates on all types of deposits. The weighted average interest rate on demand deposits in foreign currency decreased from 0.2 to 0.1 percent; on fixed-term deposits in foreign currency decreased by 0.4 percentage points and amounted to 6.8 percent.

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



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



<sup>1</sup> The newly accepted deposits do not take into account the settlement accounts of the banks' clients.

<sup>2</sup> In the total number of the operating banks, four banks did not attract deposits in the national currency in the reporting period; five banks did not attract deposits in foreign currency.

In the structure of banks, the average interest rates on newly accepted fixed-term deposits in foreign currency decreased in 11 of the 22 banks that had been licensed to attract foreign currency deposits, and the rates increased in the rest of the banks.