

Deposits (First half of 2012)

In January-June 2012, an increase of the dynamics of growth of the deposit base of commercial banks was observed in the market of bank deposits in comparison with the previous period due to the persistence of relatively stable socio-political environment and increased business activity in the domestic market. Indicators of interest rates on deposits accepted for the half year in national and foreign currencies have not changed significantly, in general, remained at the same level as in the similar period of the previous year. In the context of structure, the upward trend of change of the deposit base was caused by an increase in cash balances on current accounts of companies, as well as the growth of on-demand deposits and fixed-term deposits.

At the end of the reporting period, the volume of the deposit base of commercial banks amounted to 46.8 billion KGS having increased since the beginning of the year by 21.1 percent. The increase was due to growth of foreign exchange component of the deposit base by 21.8 percent and deposits in KGS by 20.3 percent (excluding the impact of exchange rate of KGS, the deposit base increased by 20.1 percent).

According to the results of six months, the dollarization of the deposit base increased by 0.3 percentage points to 50.4 percent due to higher rates of growth in foreign currency deposits.

Despite the positive trend of growth of deposits, their share in the structure of the deposit base decreased from 39.3 to 37.8 percent due to more active growth of corporate deposits.

In the first half of 2012, there was a decrease of urgency of attracted resources in the time structure of the deposit base: the share of funds on current accounts increased from 40.0 to 41.3 percent, while the share of fixed-term deposits decreased from 35.6 to 34.4 percent. The volume of balances in on-demand deposits of customers of banks increased (by 20.7 percent), while their share remained at the same level of 24.3 percent. The structure of fixed-term deposits changed towards reducing the share of long-term deposits (over one year) by 1.2 percentage points to 9.7 percent in the total deposit base (or 28.3 percent in the volume of fixed-term deposits), while the share of short-term deposits decreased by 0.1 percentage points to 24.7 percent. As a result, the duration of fixed-term deposits decreased from the

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

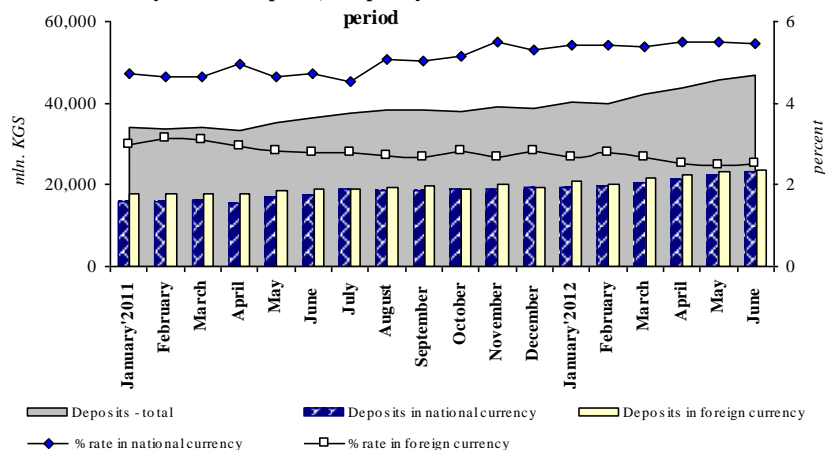
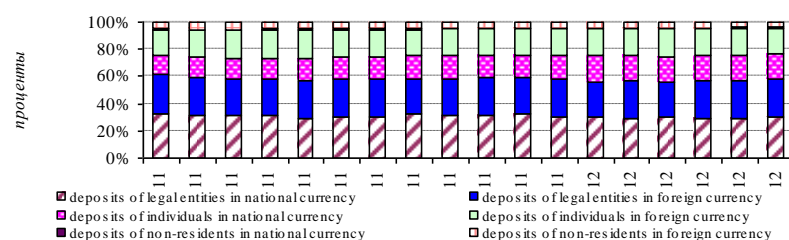


Chart 2. Deposit structure by depositors



beginning of the year from 15.3 to 14.5 months, and the index of duration of total deposit base fell from 5.5 to 5.0 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 members with equal shares in the market.

In the reporting period, there was an increase in the inflow of deposits in commercial banks. The volume of newly accepted deposits¹ in the first half of 2012 amounted to 109.2 billion KGS having increased compared to the same period in 2011 by 24.4 percent. The volume of newly accepted deposits in national currency amounted to 55.0 billion KGS (+29.9 percent); in foreign currency 54.2 billion in KGS equivalent (+19.2 percent).

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

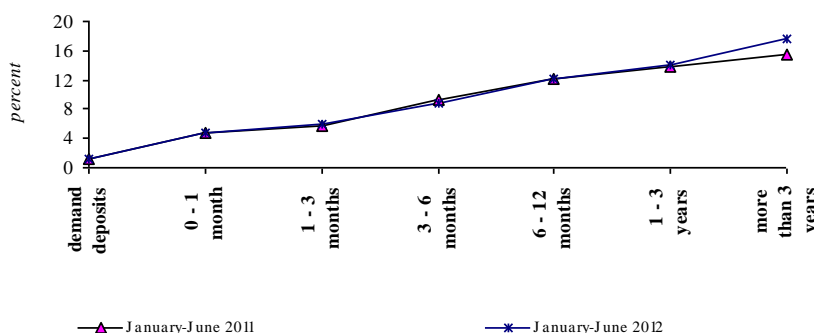
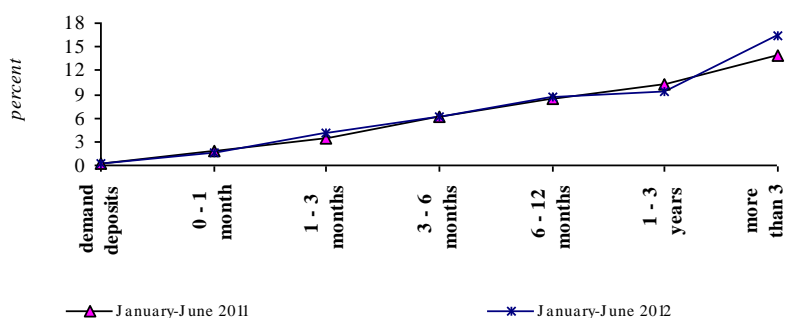


Chart 4. Average level of interest rates on new deposits in foreign currency by term categories



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 27.4 percent. At the same time, the share of on-demand deposits increased from 87.5 to 89.7 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 more than 3 years. As a result, the average duration of newly accepted deposits in comparison with the same period in 2011 decreased from 2.2 to 1.1 months, and the duration of fixed-term deposits decreased by 5 months to 10.6 months.

The weighted average interest rate on newly accepted deposits in national currency amounted to 2.2 percent having increased by 0.1 percentage points due to the increase in the interest rates of on-demand deposits in KGS from 1.1 to 1.3 percent in annual terms. The weighted average interest rate on fixed-term deposits in national currency amounted to 9.8 percent (-0.4 percentage points).

In terms of banks, the average interest rate on newly accepted fixed-term deposits in national currency increased in 9 out of 22² of operating commercial banks; in one bank the rates remained at the level of the similar period of the previous year; and the rates decreased in other banks. The average value of the real interest rate on fixed-term deposits in national

¹ The volume of the newly accepted deposits does not take into account the settlement accounts of the banks' clients.

² In the first half of 2012, 4 banks from among the operating banks did not attract deposits in the national currency (in January-June 2011 – 2 banks).

currency in the first half of 2012 was 8.9 percent compared to 2.8 percent in the same period of the previous year.

The interest rate on newly accepted deposits in foreign currency decreased by 0.2 percentage points to 0.8 percent mainly due to the decline in the share of fixed-term deposits and reduction of the interest rates of on-demand deposits. Thus, the weighted average interest rate on demand deposits in foreign currency decreased from 0.2 to 0.1 percent; the rate remained at the level of the previous year at 6.8 percent on fixed-term deposits in foreign currency.

In terms of banks, the average interest rates on newly accepted fixed deposits in foreign currency decreased in 11 of the 22³ operating banks, and the rates increased in the rest of the banks.

³ In the first half of 2012, 5 banks from among the operating banks did not attract deposits in the national currency (in January-June 2011– 2 banks).