

## Credits (January-March 2012)

In the first quarter of 2012, banks continued to build the credit portfolio. Besides, there was a trend of improving the quality characteristics of the credit portfolio of the banking system in the form of equity values of outstanding and extended credits.

The credit portfolio of operating commercial banks at the end of the first quarter of 2012 amounted to 32.7 billion KGS having increased since the beginning of the year by 4.7

percent (taking into account the adjustments for the change in the exchange rate, the credit portfolio grew by 4.3 percent). At the same time, the credit portfolio in KGS increased by 3.0 percent and constituted 14.4 billion KGS. The volume of credits issued in foreign currencies at the end of March amounted to 18.3 billion in KGS equivalent, exceeding the corresponding figure at the beginning of the year by 6.1 per cent (based on the strengthening of the US dollar, the increase was 5.3 percent).

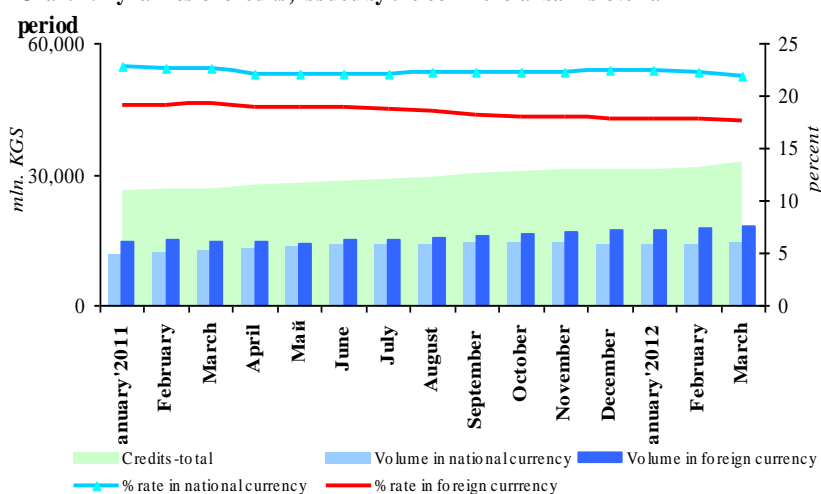
In January-March 2012, the weighted average interest rate on bank credits in national currency decreased by 0.5 percentage points to 21.9 percent, and in foreign currency - by 0.2 percentage points to 17.6 percent.

After the implementation of the first phase of the state project to support the agricultural sector “Available credits to farmers”, within the framework of which 565 million KGS were disbursed in 2011, the Government decided to implement the second phase of the project. Under the new program launched in February this year, funds in the amount of 1 billion KGS were allocated, which are directed to the development of crop and livestock production in the form of privileged credits under 7 percent per annum with maturity of 2 years (in 2011 the credit funds were provided under 9 percent per annum for 1 year). In the first quarter of 2012 in total 5.660 credits were issued at the amount of 639.7 million KGS, which in terms of share constituted 7.5 percent of the total credit funds disbursed during the period.

At the end of the reporting period, the credit portfolio of banks by sectors was as follows. In January-March 2012, the share of credits issued for trade that constituted the major part of the loan portfolio decreased by 1.1 percentage points (41.7 percent). Besides, the share of credits for mortgages also decreased from 9.6 to 9.3 percent and construction - from 5.6 to 5.4 percent. However, the observed increase in the share of agricultural loans - by 0.8 percentage points to 13.5 percent. At the same time, the share of consumer loans increased from 8.8 to 8.9 percent, while the share of credits for the industry increased by 0.2 percentage points to 5.5 percent. Credits for transportation, communications, procurement and processing and social services, as before, amounted to a small share and constituted 2.5 percent. The share of “other” credits for the quarter increased from 12.9 to 13.1 percent.

In turn, the portfolio of most banks remained highly concentrated in certain industries. Thus, the index showing the concentration of banks’ credit portfolio by sectors was 0.46, which indicates to the distribution of credits of the majority of banks between two sectors. In addition, the concentration of credits separately in each sector was also high: in 6 out of 11

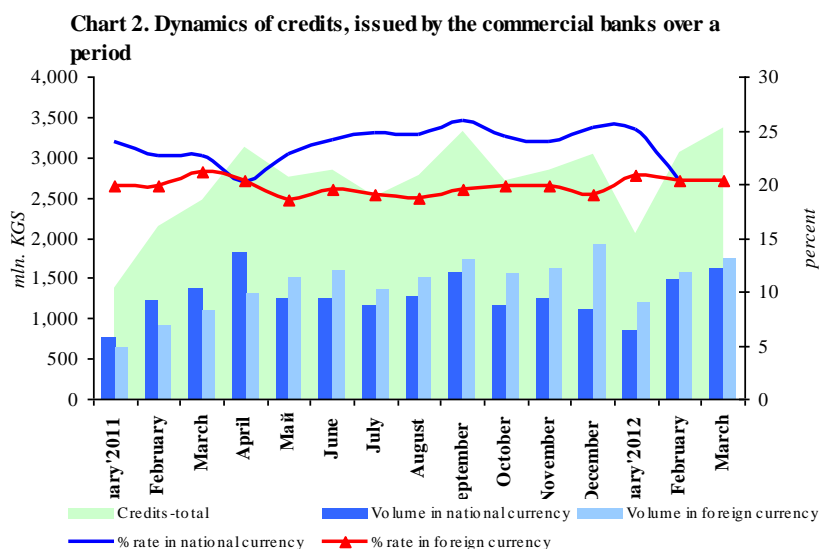
Chart 1. Dynamics of credits, issued by the commercial banks over a period



industries the index value was 0.18, which indicates to the presence of a small number of banks in these sectors.

Rate the total concentration of the credit market remained at the level of 0.10, which is equivalent to division of the market between 10 banks.

In the time structure of the credit portfolio of banks, there is a decrease in the volume of credits issued for a period of 1 to 3 months, and with maturities of more than 3 years. The share of the remaining credits increased in comparison with the beginning of the year. However, due to a decrease in the share of long-term credits (over one year) from 73.2 to 73.1 percent, the share of short-term credits increased from 22.8 to 23.1 percent. In general, such a slight adjustment of the share of short- and long-term credits did not affect the duration indicator of the credit portfolio, which has remained at the level of 28.3 months. The share of outstanding credits decreased from 3.9 to 3.8 percent, and extended credits - from 4.7 to 4.4 percent.

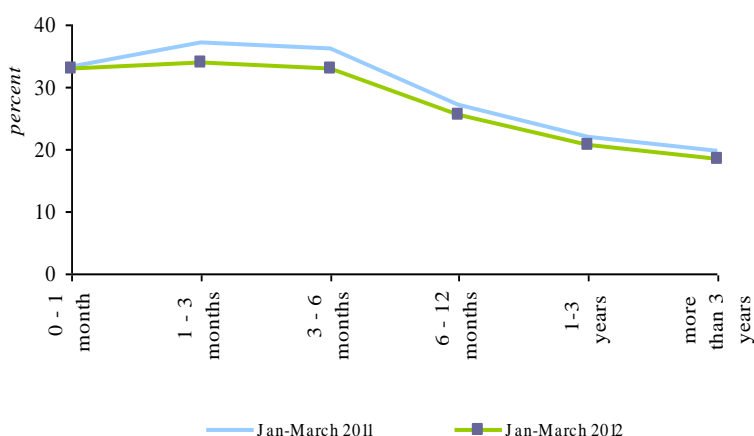


The volume of newly issued credits in the first quarter 2012 amounted to 0.5 billion KGS, which is by 41.6 percent higher than the amount issued in the same period of 2011. Credits in national currency increased by 17.7 percent and in foreign currency by 71.8 percent. This increase in the volume of trade credits remains the most significant factor in the growth of the total credit portfolio of banks.

The weighted average interest rate on newly issued credits in national currency decreased as compared with 2011 by 1.0 percentage points, reaching 22.1 percent. In the foreign exchange, the rate increased by 0.3 percentage points to 20.5 percent.

The main volume of credits was issued for a period of one to three years, but due to the increase in short-term crediting as a whole, the share of long-term credits in the time structure of newly issued credits fell by 7.0 percentage points to 67.2 percent. In the structure of short-term credits, the proportion of credits issued for a period of 0-1 months and 1-3 months significantly increased, 3.1 and 3.0 percent respectively. For this reason the duration of the index of newly issued credits fell from 25.4 to 23.7 months.

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



The volume of credits issued for trade sector increased by 31.1 percent; this sector remains to be the most significant in the structure of newly issued credits (48.8 percent). In the reporting period, there was an increase in lending to agriculture (46.5 percent), while the share of these credits increased by 0.6 percentage points to 16.9 percent. Consumer credits increased by 77.3 percent, which led to

an increase in their share by 2.2 percentage points to 11.1 percent. In addition, there was an increase in the volume of mortgage credits by 30.6 percent, while their share declined from 4.0 to 3.7 percent. The share of credits for industry, transport, communications, procurement and processing, construction and social services constituted 9.0 percent. The share of “other” credits increased by 0.5 percentage points and amounted to 10.5 percent.

In terms of industries, changes in interest rates on newly issued credits both in national and foreign currencies were diverse. In terms of credits in the national currency, the rate reduction was noted in all sectors, except for transport, procurement and processing, mortgage and social services. Interest rates on credits for trade sector remained unchanged at 23.9 percent. At the same time, credits the lowest rate in the national currency were issued for agriculture (in average 17.6 percent for the period), the highest - for consumer purposes (27.9 percent).

Rates in foreign currency fell in all sectors except for agriculture, trade, and harvesting and processing. Rate on credits for communication constituted 16.0 percent, while credits for such purposes were not provided in the same period of 2011. Credits in foreign currency at the highest rates were issued for trade and agriculture sectors (average 22.5 percent for the period), while at the lowest rates for construction (average 12.1 percent for the period).

The average value of real interest rates on credits in the national currency in the first quarter of 2012 was 21.0 percent compared to 15.7 percent in the same period of the previous year.

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

