

Credits (First half of 2017)

Increase in the credit portfolio with predominance of the credits issued in the national currency was observed in the reporting period due to the growth of the commercial banks' deposits.

Thus, the volume of the credit portfolio of the operating commercial banks by the end of the reporting period constituted KGS 102.0 billion, having increased from the beginning of the year by 9.0 percent. This upward dynamics was mainly due to the increase in the volume of credits in the national currency by 14.8 percent, up to KGS 59.6 billion, as well as the growth of the currency component by 1.8 percent, up to KGS 42.4 billion.

Excluding changes in the exchange rate, the credit portfolio increased by 9.1 percent since the beginning of the year. Dollarization level at the end of the reporting period amounted to 41.6 percent (-2.9 percentage points).

At the same time, the average weighted interest rate on the credit portfolio decreased by 1.4 percentage points, down to 16.9 percent, at the end of the reporting period. This downward trend was mainly due to the decrease of the average weighted interest rate in the national currency by 2.1 percentage points, down to 20.2 percent, in foreign currency – by 1.1 percentage points, down to 12.3 percent.

In the reporting period, there was a slight improvement 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 decreased by 3.0 percent from the beginning of the year. At the same time, the share of prolonged credits in the total volume of the credit portfolio decreased by 0.4 percentage points since the beginning of the year and constituted 4.4 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 0.34, which demonstrates the distribution of the credits of the majority of the banks predominantly among three sectors. Moreover, 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.

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

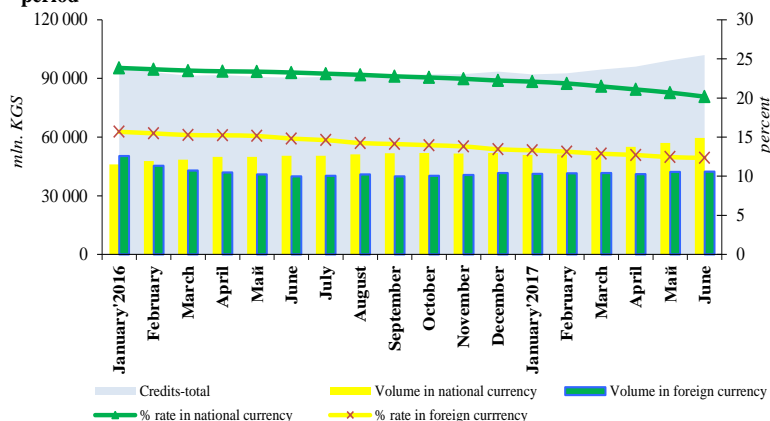


Chart 2. Dynamics of credits, issued by the commercial banks over a period

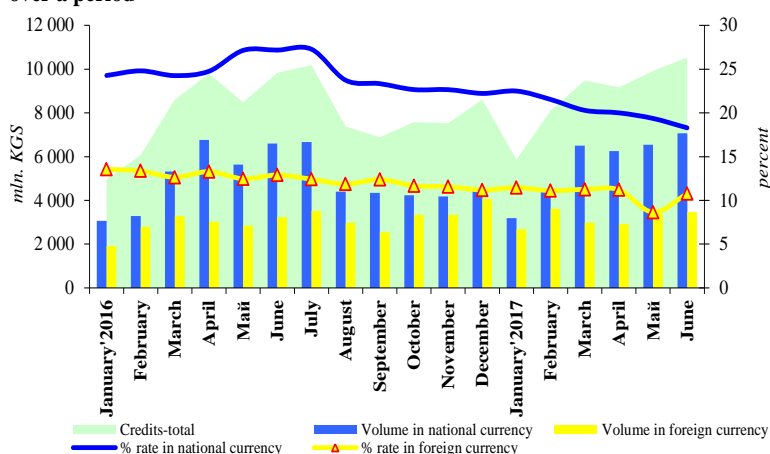
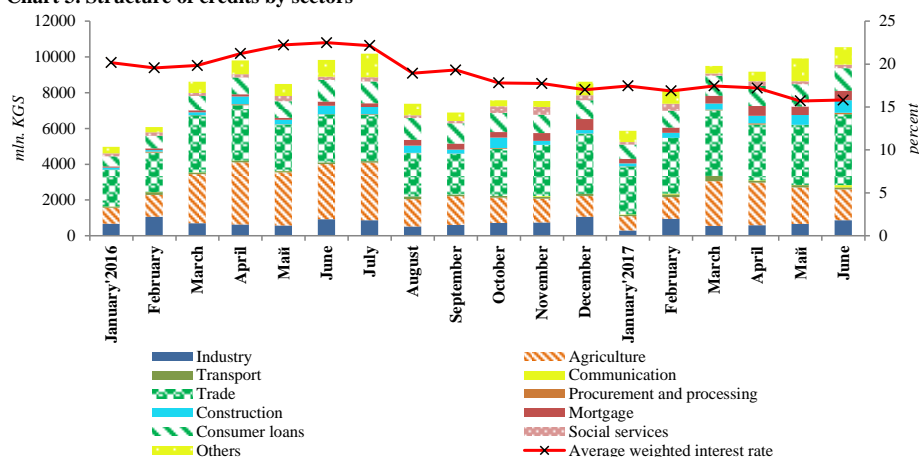


Chart 3. Structure of credits by sectors



At the end of the reporting period, the decrease in the volume of short-term credits and the increase in the volume of long-term credits were observed in the time structure of the banks' credit portfolio. Thus, the share of long-term credits (up to 1 year) increased from 78.3 to 82.0 percent (in quantitative terms – by KGS 10.3 billion), the share of short-term credits decreased from 18.7 to 15.4 percent (in quantitative terms – by KGS 1.8 billion). Such adjustment of the time structure did not have significant influence on the duration indicator, which constituted 29.7 months (+1.3 months since the beginning of the year).

The total volume of newly issued credits during the first half of 2017 constituted KGS 53.1 billion, which is by 11.1 percent higher than the similar indicator of 2016. At the same time, credits issued in the national currency increased by 10.9 percent, up to KGS 34.0 billion and in foreign currency - by 11.5 percent, up to KGS 19.0.

Chart 4. Structure of credits in national currency for the period

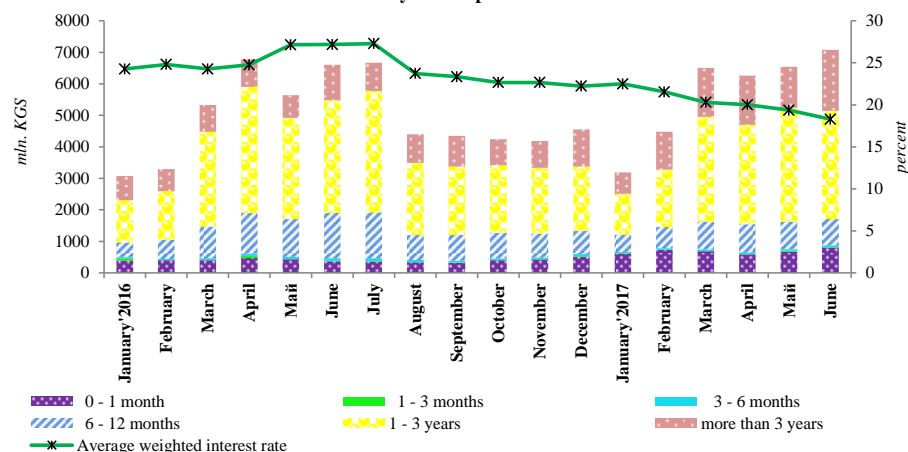
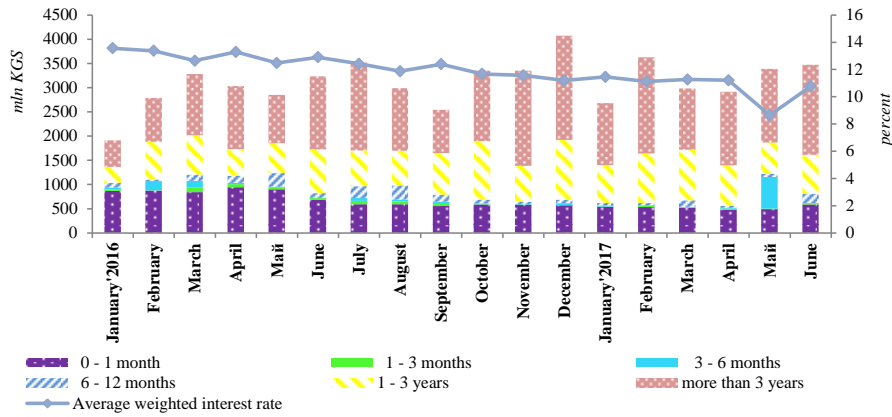


Chart 5. Structure of credits in foreign currency for the period



In the reporting period, by currencies the downward trend in the interest rate change was observed on the newly issued credits. Thus, the average weighted interest rate on the newly issued credits in the national currency in the reporting period decreased as compared to the similar indicator of 2016 by 5.1 percentage points and constituted 20.3 percent and the new credits in foreign currency decreased by 2.3 percentage points, down to 10.7 percent.

Chart 6. Average level of interest rates on new credits in national currency by term categories

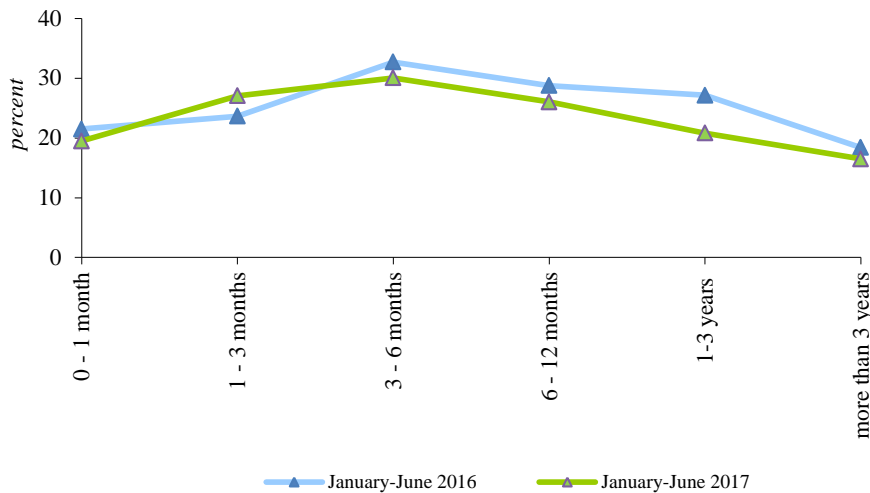
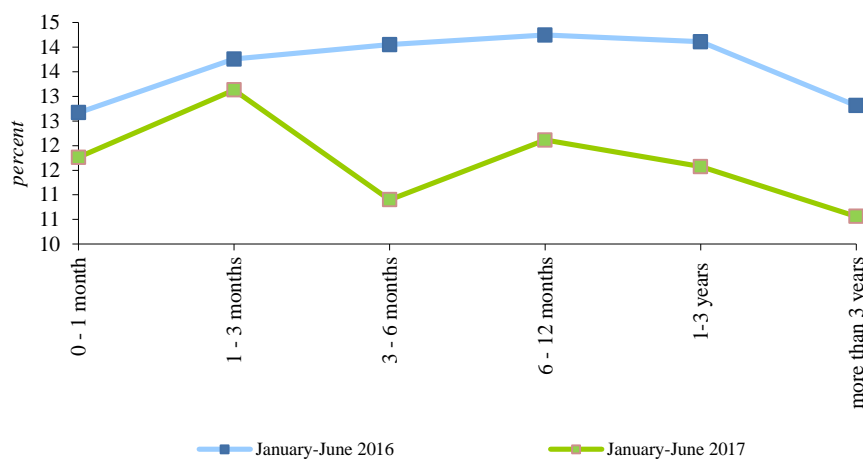


Chart 7. Average level of interest rates on new credits in foreign currency by term categories



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 the procurement and processing at the lowest rates (the average weighted interest rate for the period – 13.00 percent), the consumer loans were issued at the highest rates (28.2 percent).

The rates in foreign currency decreased in all sectors. The credits in foreign currency were issued at the highest rates for the mortgage (the average weighted interest rate – 14.2 percent), and at the lowest rates – for communication services (the average weighted interest rate – 9.6 percent).