

Credits (First half of 2016)

In January-June 2016, the commercial banks continued to decrease gradually the credit portfolio.

The volume of the credit portfolio of the operating commercial banks by the end of the reporting period constituted KGS 90.4 billion, having decreased from the beginning of the year by 3.8 percent. Meanwhile, the credit portfolio share in KGS increased by 19.6 percent and constituted KGS 50.5 billion.

The volume of credits issued in foreign currency constituted 39.9 billion in KGS equivalent, having decreased by 22.8 percent from the beginning of the year. The credit portfolio increased by 1.5 percent from the beginning of the year excluding the exchange rate change.

The average weighted interest rate on the credit portfolio constituted 19.52 percent (+0.64 percentage points), in the national currency – 23.26 percent (+0.46 percentage points), in foreign currency – 14.80 percent (-0.89 percentage points).

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 3.6 percent in the total volume of the credit portfolio, in quantitative terms the volume of such credits decreased by 20.8 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 5.7 percentage points and constituted 10.6 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 long- and short-term credits was observed in the time structure of the banks' credit portfolio. However, the share of the short-term credits (up to 1 year) increased from 20.5 to 21.2 percent, the share of long-term credits decreased from 77.6 to 76.3 percent. This structural distribution of the credit portfolio has not resulted in the change of the duration indicator, which constituted 28.1 months.

The total volume of newly issued credits in January-June 2016 constituted KGS 47.8 billion, which is by 24.3 percent higher than the amount issued in the similar period of 2015. Credits issued in the national currency increased by 69.9 percent and in foreign currency decreased by 16.1 percent.

Chart 1. Dynamics of Credit Debt of the Commercial Banks as of the End of Period

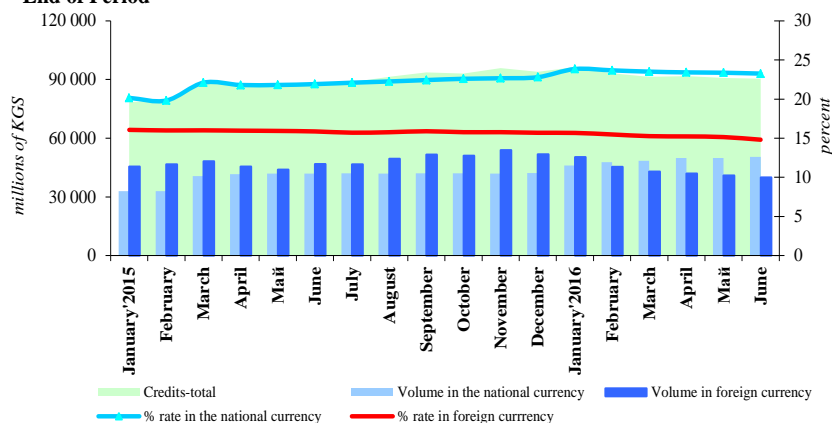
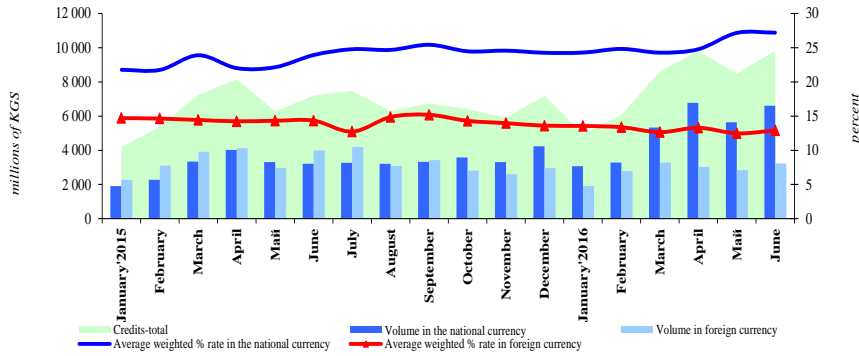


Chart 2. Dynamics of Credits Issued by the Commercial Banks of the Period



The average weighted interest rate on the newly issued credits in the national currency in the first half of 2016 increased as compared to the similar indicator of 2015 by 2.94 percentage points and constituted 25.59 percent and the new credits in foreign currency decreased by 1.42 percentage points, down to 13.0 percent.

Chart 3. Average Level of Interest Rates on New Credits in the National Currency by Term Categories

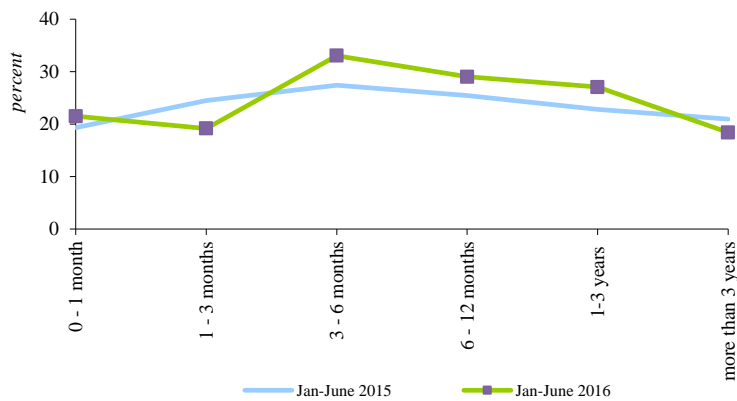
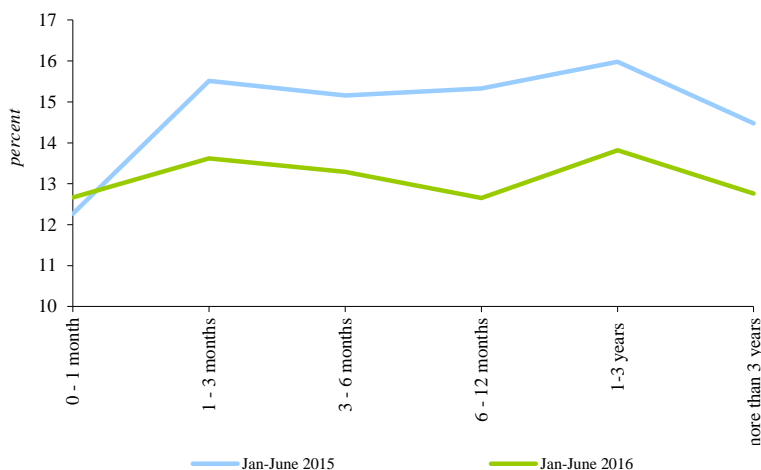


Chart 4. Average Level of Interest Rates on New Credits in Foreign Currency by Term Categories



By sectors the change of the interest rates on the newly issued credits in the national and foreign currency multidirectional in the reporting period. Meanwhile, the credits in the national currency were issued for the industry at the lowest rates (the average weighted interest rate for the period - 16.22 percent), the consumer loans were issued at the highest rates (31.76 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 - 16.79

percent), and at the lowest rates – for communication (the average weighted interest rate - 12.50 percent).