

## Credits (3 months 2015)

In January-March 2015, the commercial banks continued to increase the credit portfolio on the background of a decrease in the interest rates of the foreign currency borrowings.

The volume of the credit portfolio of the operating commercial banks by the end of the reporting period constituted KGS 88.9 billion, having increased from the beginning of the year by 12.9 percent. Meanwhile, the credit portfolio share in KGS increased by 21.9 percent and constituted KGS 40.7 billion. The volume of credits issued in foreign currency constituted 48.2 billion in KGS equivalent, having increased by 6.3 percent from the beginning of the year.

The average weighted interest rate on the credit portfolio constituted 18.79 percent (+1.2 percentage points), in the national currency – 22.10 percent (+2.5 percentage points), in foreign currency – 16.01 percent (-0.1 percentage point).

Moreover, 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 2.2 percent in the total volume of the credit portfolio, in quantitative terms the volume of such credits increased by 14.8 percent from the beginning of the year. At the same time, the share of prolonged credits in the total volume of the credit portfolio decreased by 0.6 percentage points and constituted 2.4 percent.

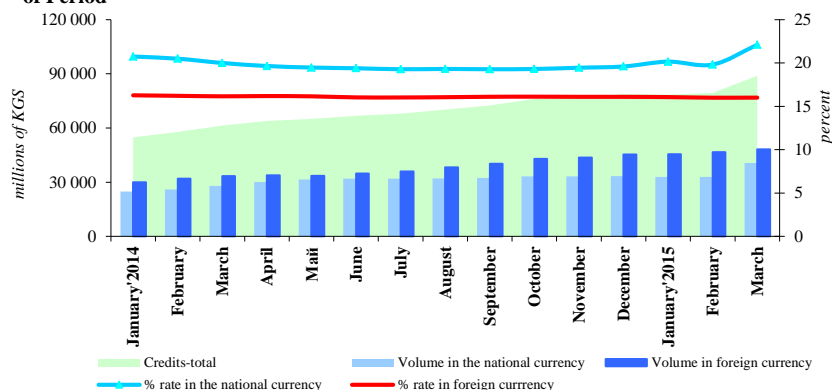
However, the portfolio of the majority of the banks remained highly concentrated in separate sectors. Thus, the index indicating concentration of the banks' credit portfolio in the sectors constituted 0.40, which demonstrates the distribution of the credits of the majority of the banks predominantly among three sectors.

The indicator of the general concentration of the lending market constituted 0.09, which is equivalent to the distribution of the market among 12 banks.

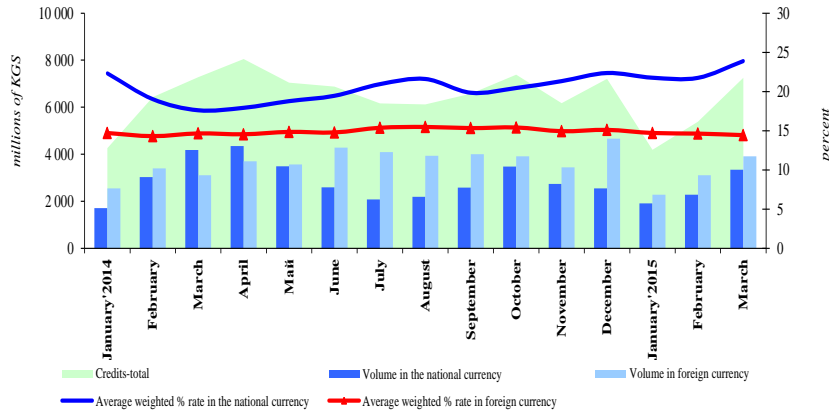
Since the beginning of the year, multidirectional trend in the volume of long- and short-term credits was observed in the time structure of the banks' credit portfolio. However, the share of the short-term credits (up to 1 year) increased from 15.6 to 19.0 percent, the share of long-term credits decreased from 82.3 to 78.8 percent. This structural distribution of the credit portfolio resulted however in the decrease of the duration indicator down to 29.4 months (-1.2 months).

The total volume of newly issued credits in January-March 2015 constituted KGS 16.8 billion, which is by 6.4 percent higher than the amount issued in the similar period of 2014. Credits issued in the national currency decreased by 15.5 percent and in foreign currency decreased by 2.7 percent.

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

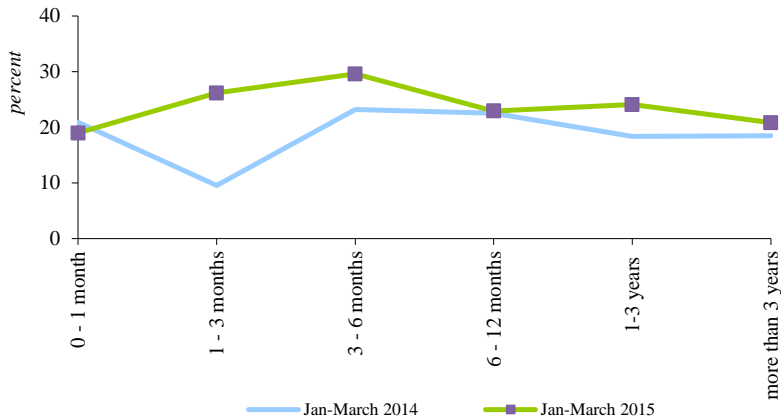


**Chart 2. Dynamics of Credits Issued by the Commercial Banks over the Period**

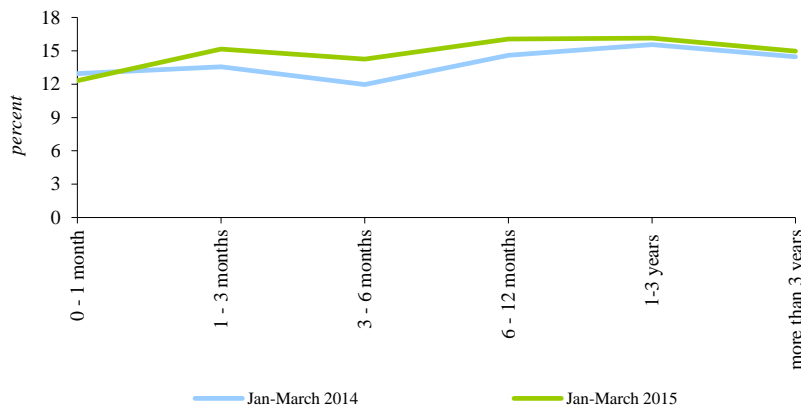


The average weighted interest rate on the newly issued credits in the national currency in the first half of 2015 increased as compared to the similar indicator of 2014 by 3.71 percentage points and constituted 22.70 percent and the new credits in foreign currency increased by 0.03 percentage points, up to 14.56 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 in the foreign currency was 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 - 16.67 percent), for communication - at the highest rates (35.48 percent).

The rates in foreign currency decreased in all sectors except for the mortgage credits and the credits for construction. The credits in foreign currency were issued at the highest rates for agriculture (the average weighted interest rate - 19.73 percent), and at the lowest rates – for construction (the average weighted interest rate - 10.97 percent).