

## Deposits (First half of 2014)

In January-June 2014 there was an increase in the deposit base of commercial banks in the market of bank deposits in comparison with the similar period in 2013, which was mainly due to a significant increase of funds in foreign currency accounts of legal entities of the major market participants.

Indicators of interest rates on deposits accepted within six months in the national and foreign currencies have not changed significantly (except for an increase of rates in national currency for a period of 0-1 months by 1.4 percentage points), in general, having remained in the same level as the values of the comparable period of the previous year. In the context of structure, the change in the upward trend of the deposit base was caused by an increase in cash balances in the accounts of entities, 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 72.6 billion KGS having increased since the beginning of the year by 7.8 percent. The increase resulted from the growth of currency component of the deposit base by 13.9 percent to 37.4 billion KGS. Deposits in KGS also increased by 2.0 percent and constituted 35.2 billion KGS.

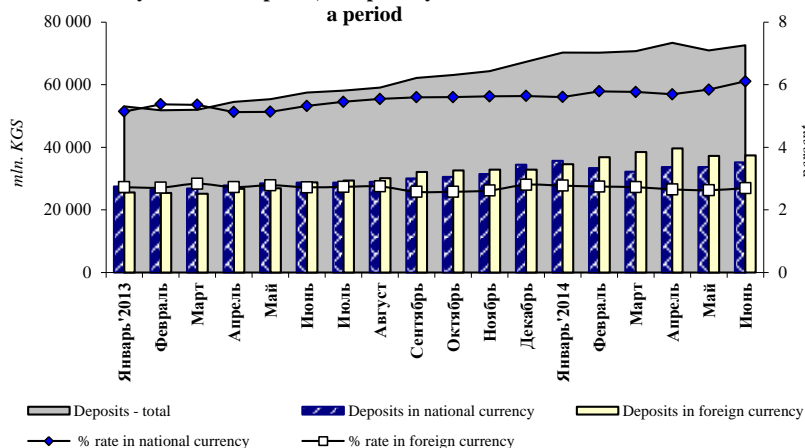
According to the results of January-June 2014, the dollarization of the deposit base increased by 2.8 percentage points to 51.5 percent due to higher rates of growth in foreign currency deposits.

In the reporting period, the decline was observed in the share of funds on demand deposits of clients of banks from 25.2 to 24.8 percent in the time structure of the deposit base; the share of fixed-term deposits in the credit portfolio - from 39.1 to 39.0 percent. The share of deposits on current accounts increased from 35.7 to 36.2 percent.

The index of market concentration remained at the level of 0.10, which corresponds to the average level of concentration and is equivalent to the presence of ten participants in the market with equal shares.

In the reporting period, there was an increase in the inflow of deposits in commercial banks. The volume of newly accepted deposits in January-June 2014 amounted to 173.2 billion KGS having increased compared to the similar period in 2013 by 42.5 percent. The volume of newly accepted deposits in the national currency amounted to 84.5 billion KGS (+29.1 percent); the volume of deposits in foreign currency constituted 88.7 billion in KGS equivalent (+58.0 percent).

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



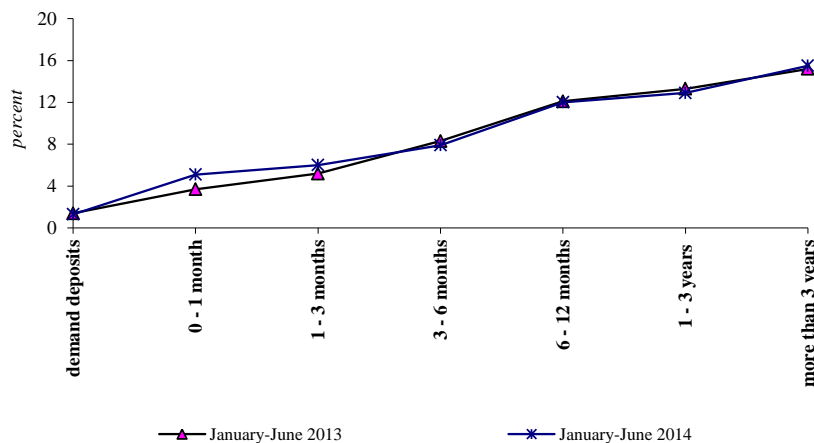
In structural section, the increase of newly accepted deposits was mainly achieved by the growth of on-demand deposits, which increased during the period by 42.1 percent. However, their share decreased from 88.4 to 88.2 percent. Besides, the volume of deposits (+45.1 percent) decreased with the extension of the share from 11.6 to 11.8 percent.

The weighted average interest rate on newly accepted deposits in national currency amounted to 2.2 percent having decreased compared to the similar period of 2013 by 0.1 percentage points.

The weighted average interest rate on fixed-term deposits in the national currency amounted to 9.5 percent (+0.1 percentage points), and the rate of on-demand deposits by 1.3 percent (-0.2 percentage points).

The interest rate on newly accepted deposits in foreign currency remained at the level of the similar period of 2013 at 0.8 percent. The weighted average interest rate of on-demand deposits in foreign currency also remained unchanged at 0.1 percent; the rate on fixed-term deposits decreased by 0.3 percentage points and constituted 5.7 percent.

**Chart 2. Average level of interest rates on new deposits in national currency by term categories**



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

