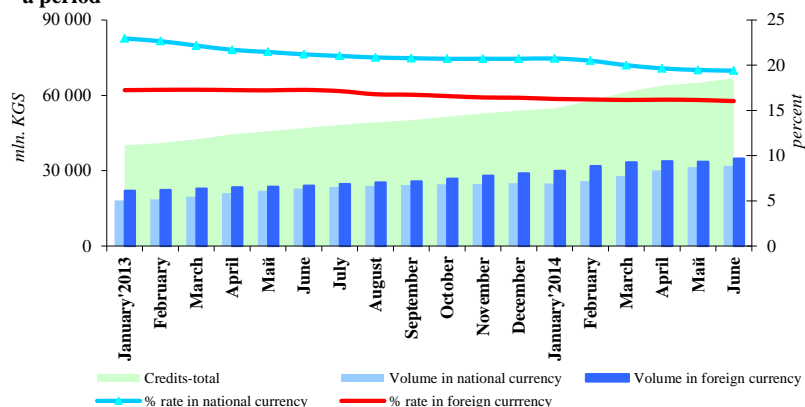


Credits (First half of 2014)

In January-June 2014 commercial banks continued to increase the credit portfolio on the background of a decrease in interest rates of both KGS and foreign currency borrowings. As before, one of the reasons of the growth of the total credit portfolio of banks in the reporting period was a significant increase in the volume of credits for agriculture that was made possible, in particular, as a result of the implementation of measures of the state support provided to the sector.

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



In the reporting period implementation of the state project “Financing of agriculture-2” was carried out, which aimed to provide state support to agricultural producers of the country for the timely conduct of spring field works and further development of animal husbandry and processing sector of agriculture. According to the terms of the project, the government subsidizes commercial banks and specialized financial and credit institutions for the placement of privileged credits at a rate of 10 percent per annum from the national budget for the crop and livestock sectors and at the rate of 9 percent per annum for the sector of processing of agricultural products. At the end of the reporting period, the total credit debt within the project amounted to 4.3 billion KGS or 6.5 percent of total bank credit portfolio.

The credit portfolio of commercial banks at the end of the reporting period amounted to 66.8 billion KGS having increased since the beginning of the year by 23.7 percent. At the same time, the KGS part of the credit portfolio increased by 27.5 percent and constituted 31.9 billion KGS. The volume of credits issued in foreign currencies at the end of June constituted 34.8 billion in KGS equivalent, exceeding the corresponding figure at the beginning of the year by 20.4 percent.

In January-June 2014 the weighted average interest rate on bank credits in the national currency decreased by 1.8 percentage points to 19.2 percent; and the rate in foreign currency was 14.6 percent (-5.2 percentage points).

At the end of the reporting period, the credit portfolio of banks in terms of sectors as compared to the beginning of the year was as follows. In all sectors, except for agriculture (21.3 percent, with an increase by 4.0 percentage points) a decrease in the share of the total credit portfolio was observed. The share of credits for trade that took the most part of the credit portfolio decreased by 1.3 percentage points (to 35.5 percent). Besides, the share of credits for the industry decreased to 7.8 percent (-0.3 percentage points); the share of consumer credits decreased to 7.6 percent; the share of credits for construction - by 0.4 percentage points to 5.4 percent; for mortgage - by 0.2 percentage points to 10.0 percent. In general, the share of credits for transportation, communication, procurement and processing and social services decreased by 0.3 percentage points to 3.6 percent compared to the beginning of the year. However, the share of other credits decreased by 0.1 percentage points and constituted 8.7 percent.

Portfolio of most banks remained highly concentrated in certain industries. Thus, the index showing the concentration of credit portfolio of banks in the industry constituted 0.41, which indicates to the distribution of credits of most banks mainly between the two sectors.

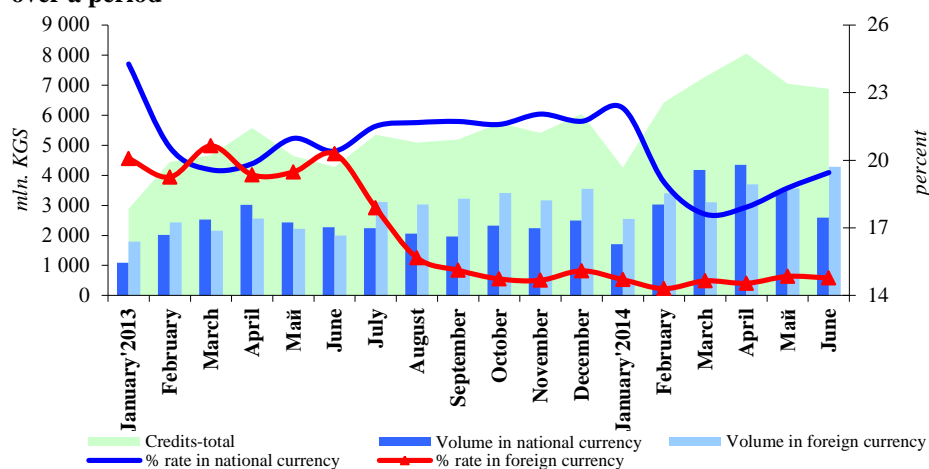
The total concentration index of the credit market remained at the level of 0.09, which is equivalent to the division of the market between 11 banks.

From the beginning of the year in the time structure of the credit portfolio of banks there was a decline in credits issued for a period of 1 to 3 months. Thus, in connection with some reduction in the total share of short-term credits (up to one year) from 17.0 to 16.8 percent, and the decline in the share of overdue debt from 3.3 to 2.9 percent, the share of long-term credits increased from 79.8 to 80.3 percent. This structural distribution of the credit portfolio led to an increase in the index of duration from 29.6 to 30.0 months.

However, there was a slight deterioration in the quality characteristics of the credit portfolio of the banking system in the reporting period. Thus, the share of extended credits in the total credit portfolio increased by 0.7 percentage points and constituted 3.9 percent.

The total volume of credits issued in January-June 2014 amounted to 39.9 billion KGS, which is by 50.7 percent higher than the amount issued in the similar period of 2013. Credits in the national currency increased by 44.9 percent and in foreign currency - by 56.7 percent.

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



The weighted average interest rate on newly issued credits in the national currency in January-June 2014 decreased as compared to the similar period of 2013 by 1.8 percentage points and constituted 19.2 percent; in foreign currency - by 5.2 percentage points and constituted 14.6 percent.

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

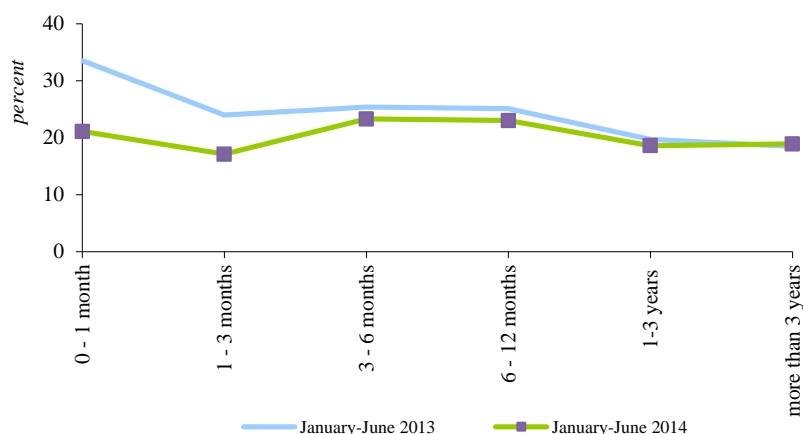
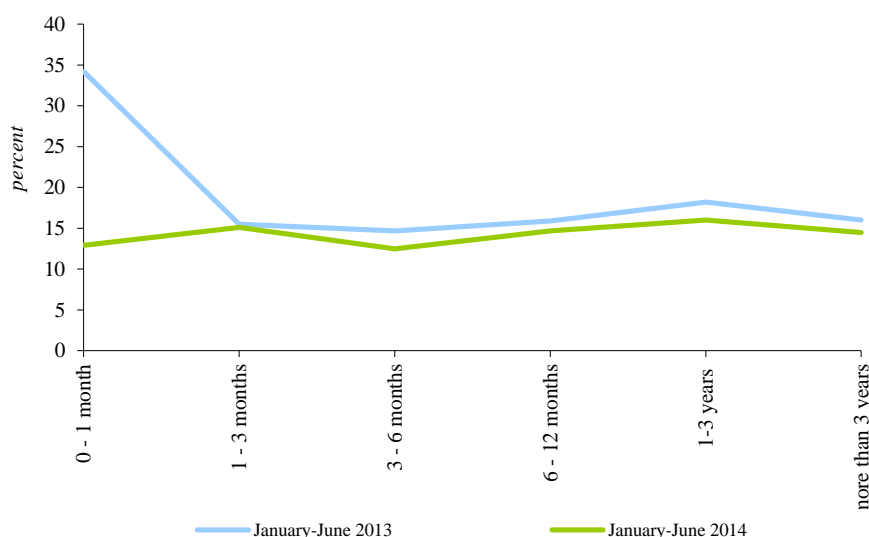


Chart 4. Average level of interest rates on new credits in foreign currency by term categories



The volume of credits issued for trade increased by 36.8 percent; this sector still is the most significant in the structure of newly issued credits (average specific weight for the period is 43.2 percent). In the reporting period, there was a significant increase in the volume of credits for the industry (2.8 times), and the share of these credits increased by 4.2 percentage points and constituted 9.1 percent. The volume of credits issued for agriculture increased by 70.0 percent, which led to an increase in their share by 2.5 percentage points to 21.8 percent. Besides, the volume of credits issued for construction also increased (+67.7 percent); their share increased from 3.0 to 3.3 percent. The share of credits for mortgage, transportation, communication, procurement and processing, as well as consumer and social services totaled 35.3 percent, with a reduction in the overall share by 2.6 percentage points to 22.7 percent.

In terms of sectors, the change in the weighted average interest rate on newly issued credits in local and foreign currencies mainly showed a decrease. As for the credits in the national currency, the reduction of rates was noted in all sectors, except for credits for social services. At the same time, the lowest rate credits in the national currency were issued for procurement and processing sectors (average over the period of 12.4 percent); the highest rate credits were issued for consumer credits (26.2 percent).

In foreign currency rates fell in all sectors, except for loans issued for communication. Credits at the highest rate in foreign currency were issued also for consumer purposes

(average over the period of 18.1 percent), while credits at the lowest rates were issued for construction sector (average over the period of 13.3 percent).