Official exchange KZT/US$ rate on 1 September 2012 – 149.57

Summary

Economy

- GDP growth for 2013 is projected at 6%
- Inflation at 4.7%

Banking sector

- BTA Bank and the steering committee of its creditors, have agreed a non-binding term sheet for the restructuring
- Moody's Investors Service lowered Kazkommertsbank's ratings.

Kazakh Banking Sector Developments

P&L

The net loss after tax of Kazakhstan's commercial banks in August 2012 amounted to US$ 5,795 million, a decrease from US$ 5,879 million last month, due to faster growth in earnings than in expenses, primarily due to increase in provisions recoveries and revaluations.

Kazakh commercial banks' aggregate earnings amounted to US$ 17,319 million up from US$15,059 in July 2012. The aggregate expenses of the banking system (including corporate tax) were US$ 23,114 million, the majority of which were provision charges and other expenses, which constituted 36.6% and 23.4% of total expenses, respectively.

CAPITAL

The Kazakh banking sector's aggregate capital increased to US$ 3,014 million as of 1 September 2012 from US$ 2,801 million as of 1 August 2012, mainly due to increase in chartered capital.

ASSETS

Aggregate bank assets stood at US$ 88,755 million, compared to US$ 88,900 million last month.

The share of loans to customers increased to 54.1%. The share of the securities portfolio increased to 13.0%. The share of highly liquid assets (cash, precious metals and correspondent accounts) decreased from 12.1% to 11.3% due to decrease in correspondent accounts. The share of funds placed with the National Bank within total assets decreased to 0.8% in August and the share of inter-bank loans and deposits decreased to 4.3%.

According to the FSA, loans that were at least 90 days overdue decreased from 31.5% in July to 30.8% as at 1 September 2012. The loan loss provisioning rate slightly decreased from 36.4% to 36.2% in August 2012.

LIABILITIES

Aggregate bank liabilities decreased to US$ 85,741 million from US$ 86,099 million in July 2012.

The structure of liabilities has not changed significantly. The major funding sources are customer accounts with a share of 64.4% of the total liabilities, compared to 65.8% in July 2012.

Customer accounts decreased by 2.6% or US$ 1,456 million to US$ 55,206 million, due to the decline of corporate deposits, as the companies were paying their taxes and dividends.

A major outflow of total deposits among top 10 banks was seen in Sberbank (-5.5%), ATF (-5.9%) and KKB (-7.7%), while an inflow of deposits was seen in Centercredit (+1.1%) and Tsesna (+1.3%).

The sector's net loans-to-deposits ratio increased from 83.4% in July 2012 to 86.9% in August 2012.

Major events in the banking sector

- **5 October.** As a result of restructuring, Samruk-Kazyna may become sole shareholder of BTA Bank by the end of 2012, says the chairman of the board of the bank Mr. Anvar Saidenov.
- **3 October.** BTA Bank and broadly representative members of the steering committee of its creditors, other than Nomura International, have agreed a non-binding term sheet for the restructuring of its $11.2 billion financial indebtedness that will help ensure the viability of the Bank.
- **18 September.** Moody's Investors Service downgraded Kazkommertsbank' s ratings, due to the sharp increase in negative pressures on KKB' s credit profile.
- **19 September.** Following the press release placed by Moody's rating agency on KKB's ratings downgrade, Kazkommertsbank considered appropriate to share its view on certain statements and assumptions used in the press release which in the Bank's opinion do not reflect the current standing of KKB. Eroding profitability and worsening asset quality as stated in the press release have not been taking place over the last year.

  In particular:

  - Net profit grew 8.2% in the six months of 2012 compared to the 1st half of 2011. The main drivers were the adjusted NIM growth from 3.3% to 3.7% and increase in transactional fee and commission by 17%.
  - The share of NPLs went down from 28.1% as at 1 July 2011 to 27.6% as at 1 July 2012.
  - Capital adequacy ratios of KKB are higher than those reported by the major Kazakh banks. The respective ratios have substantially improved compared to the 2011 year end.
  - KKB became more active in lending. Gross loan book was up in the first six months of 2012 by 2.9%. There are new SME lending programs launched. There was a renewed activity in retail lending predominantly in consumer loans which have increased in the 1H2012 13.5% .
  - KKB continues being an active participant of governmental programs including ones devoted to completion of residential construction, support of corporate, SME and retail/mortgage clients and has redeemed, including prepayments, KZT160billion out of the funds extended earlier.

Major developments in Kazakhstan's economy

INFLATION

In August 2012, inflation in Kazakhstan was 0.3%. The prices of food products and for non-food products increased by 0.2% and 0.3%, respectively, while the prices for paid services increased by 0.4%. Annual inflation (August 2012 to August 2011) was 4.7%, and the prices for food products increased by 3.8%, for non-food products by 3.6%, and for paid services by 7.1%.

INDUSTRIAL PRODUCTION

The volume of industrial production in August 2012 compared to August 2011 was 0.7%. The real volume index was 101.4% in the processing industry; the mining industry growth was 100%.

UNEMPLOYMENT

The unemployment rate in August 2012 was 5.2%. The number of unemployed people in August 2012 was 467,800. The number of unemployed people registered with authorised employment bodies in August 2012 was 0.7% of the economically active population. The hidden unemployment rate in August 2012 was 0.3% of the economically active population.

INTERNATIONAL RESERVES

In August 2012 the net international reserves (including the net international reserves of the National Bank and National Fund's assets in foreign currency) increased by 1.9%, to US$83.3 billion. The assets of the National Fund increased by 1.9% in August 2012 to US$54.3 billion. The net international reserves of the National Bank based on current prices increased by 2.1% to US$29.1 billion. The net currency reserves in August 2012 increased by 1.7% to US$24.0 billion, while assets held in gold increased by 3.6% to US$5.7 billion.

MONEY SUPPLY

The money supply in August 2012 decreased by 2.4% to KZT 10,328 billion. The amount of currency in circulation increased by 0.5% to KZT 1,405 billion. The reserve money in August 2012 decreased by 4.8% to KZT 2,810 billion. The narrow reserve money (money supply less term deposits of the banks with the National Bank) decreased by 3.4% to KZT 2,702 billion.

GDP

Real GDP growth rate was 105.6% for January-June 2012. Production of goods amounted for 40.7% of GDP, while services were 52.2%.

News on Kazakhstan's economy:

- **2 October.** Islamic development bank plans to invest US$1 billion into Kazakh economy in 2012-2014 in line with newly signed country partnership strategy between the government of Kazakhstan and IDB.
- **11 September.** Ministry of economic development and trade does not consider pessimistic economic development scenario for Kazakhstan in 2013. The forecasts for 2013 were developed under basic development scenario. The latter envisages average annual growth of global economy at 4%, oil price of US$90 per barrel and decrease in metal prices by 15% from current level. Real GDP growth is forecasted at 6% in 2013, 6.1% in 2014, 7.6% in 2015, 6.6% in 2016 and 6.9% in 2017.
- **10 September.** Prices per square meter of new residential housing in Kazakhstan increased by 1.3% in August MoM to KZT167,400.
- **5 September.** In August 2012 tenge strengthened by 0.3% to KZT149.57 per US$1.
- **3 September.** KazMunayGas will decrease the number of its subsidiaries by 22% to 191 companies till 2017 in line with its asset restructuring programme.

Annex 1

Kazakhstan's key macroeconomic indicators

	2007	2008	2009	2010	2011	Aug 12
Domestic economy and financial system						
Real GDP growth, %	108.9	103.2	101.2	107.0	107.5	105.6*
GDP, US$ million	**106 816**	**131 713**	**107 197**	**145 854**	**183 969**	83 813*
Production, % YoY	104.5	102.1	101.7	110.0	103.5	100.7
Unemployment rate, %	7.3	6.6	6.5	5.5	5.4	5.2
CPI, %	118.8	109.5	106.2	107.8	107.4	104.7
Monetary supply M3, US$ million	38 486	51 894	49 754	57 942	65 708	69 053
Monetary base (reserve money), US$ million	12 171	12 629	16 510	17 443	19 111	18 787
Real exchange rate	120.30	120.77	148.46	147.50	148.40	149.57
Official refinancing rate, %*	11.0	9.5	7.0	7.0	7.5	5.5
State finance						
State budget balance, % of GDP	-1.7	-2.1	-3.1	-2.5	-1.3*	-
Sovereign foreign debt, % of GDP	2.0	1.6	2.5	2.8	2.4	2.3*
Sovereign foreign debt / State budget income, %	8.7	6.5	11.4	13.9	14.9	-
Sovereign foreign debt, US$ million	2 099	2 167	2 218	4 061	4 456	4 450*
Balance of payments						
Current account balance, US$ million	-8 226	6 978	-3 408	4 319	14 110	5 038*
Current account balance, % of GDP	-7.7	5.3	- 2.6	3.0	7.4	2.6*
Capital and finance account balance, US$ million	8 366	1 219	5 554	416	13 815	747*
Capital and finance account balance, % of GDP	7.8	0.9	5.2	0.3	7.2	0.4*
Imports, US$ million	33 260	38 452	28 672	31 956	47 263	11 386*
Exports, US$ million	48 351	71 971	43 886	60 838	88 470	25 041*
Foreign assets and liabilities						
Gross foreign debt, US$ million	96 914	107 713	113 229	119 242	123 848	132 330*
Gross foreign debt, % of GDP	92.4	81.3	98.6	45.2	34.4	34.7*
National Bank's Net International Reserves, US$ thousands	17 629	19 872	23 218	27 723	28 762	29 050
National Fund	21 006	27 486	24 368	30 578	43 693	54 250
National Fund and international reserves	38 635	47 358	47 586	58 301	72 455	83 300

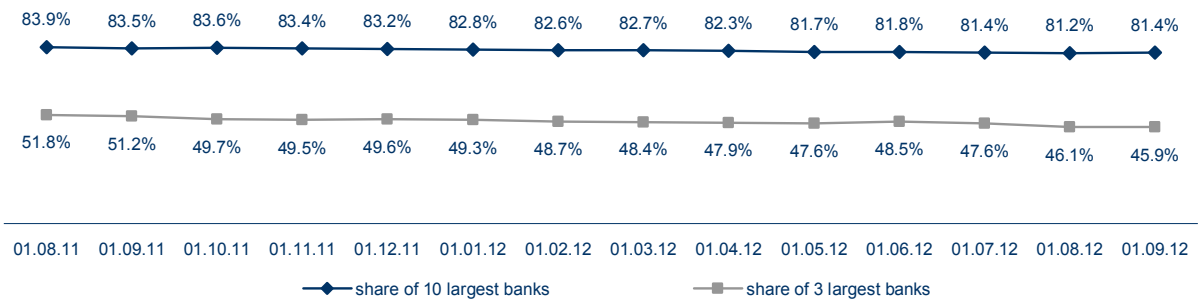
** Jan-Jun 2012*

Annex 2

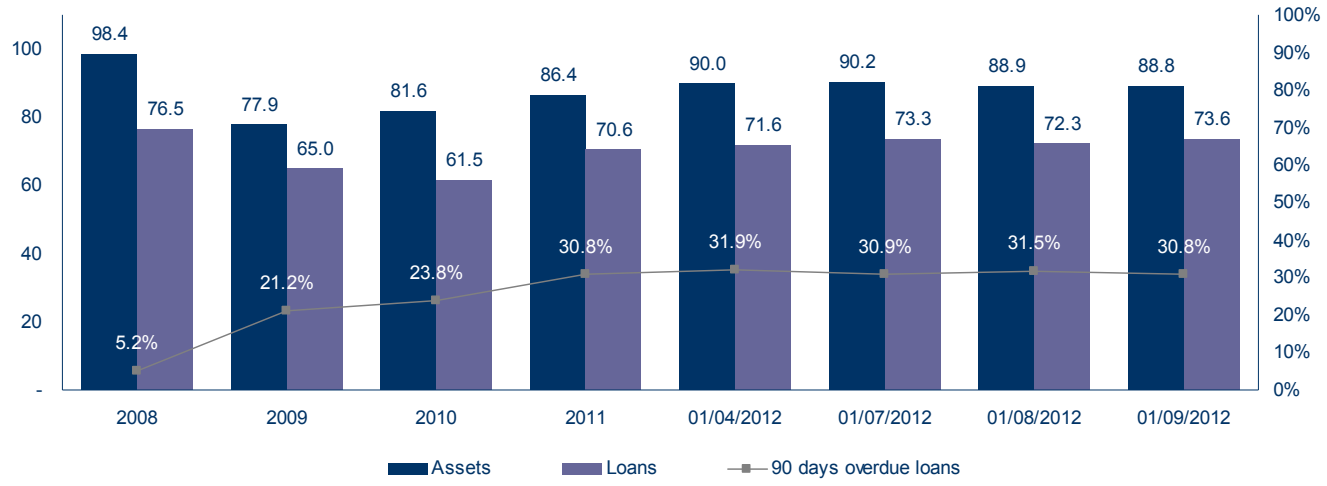
Banking sector indicators

	2008	2009	2010	2011	August 2012
Commercial banks (number)	37	38	39	38	38
Major indicators of the banking sector, US$ million					
Assets	**98 432**	**77 837**	**81 614**	**86 400**	**88 755**
Capital	12 026	-6 601	8 967	8 797	3 014
Loans	**76 534**	**64 926**	**60 627**	**70 370**	**73 615**
Provisions for loans	8 491	24 458	18 995	22 480	26 626
- % of total loans	*11.1*	*37.7*	*30.9*	*32.0*	*36.2*
Deposits	**38 084**	**40 441**	**46 850**	**53 125**	**55 206**
Net profit	**89**	**-19 225**	**9 904**	**-241**	**-5 795**
Profitability ratios, %					
NIM	3.4	5.7	4.3	4.5	4.5
RoAA	0.1	11.9	0.12	-	2.0
RoAE	0.7	-	1.02	-	14.6
Banking sector and the economy, %					
Assets / GDP	74.6	68.0	61.9	44.3	42.4
Loans / GDP	58.0	56.7	46.5	36.1	35.2
Deposits / GDP	28.9	37.1	35.2	26.9	26.1

Concentration of banking system assets



Assets, loans (US$ billion) and 90 days overdue loans dynamics



Annex 3

Major indicators of the largest Kazakh banks as at 1 September 2012

Bank	Assets		Equity		Loans to customers		Total deposits		Retail deposits		Net profit	Reserves	90 days overdue loans
	US$ mln	Aug/ Jul	US$ mln	Aug/ Jul	US$ mln	Aug/ Jul	US$ mln	Aug/ Jul	US$ mln	Aug/ Jul	US$ mln	% of gross loans	% of gross loans
KKB	**16,158**	**-2.4%**	**3,013**	**0.5%**	**15,759**	**0.3%**	**8,826**	**-7.7%**	**3,975**	**0.6%**	**6**	**37.8%**	**25.4%**
Halyk	14,857	0.1%	1,890	2.0%	8,920	1.1%	10,321	0.0%	4,159	-0.5%	259	24.7%	20.1%
BTA	9,700	0.1%	-8,209	0.7%	13,832	-0.2%	4,473	-0.8%	1,789	2.2%	-9,239	85.9%	75.2%
BCC	6,944	1.1%	570	0.4%	5,541	0.0%	4,830	1.1%	2,564	-0.2%	11	16.5%	9.0%
ATF	6,630	-0.1%	490	23.6%	5,350	-1.5%	3,652	-5.8%	1,294	3.3%	-26	21.9%	43.8%
Sberbank	4,579	-1.8%	562	3.0%	3,172	3.4%	3,258	-5.5%	649	2.8%	50	5.7%	1.6%
Alliance	3,665	0.7%	104	16.7%	3,758	0.3%	2,155	-1.7%	974	-0.1%	8	44.3%	51.6%
Tsesnabank	3,608	3.6%	333	3.2%	2,734	3.7%	2,894	1.4%	896	2.2%	65	3.5%	3.3%
Kaspi	3,204	2.8%	360	1.4%	2,885	4.0%	2,338	-0.3%	1,882	2.0%	55	17.9%	16.3%
Eurasian	2,913	0.6%	289	2.2%	2,349	5.2%	1,790	-0.9%	570	0.1%	35	8.4%	6.5%
Top 10	**71,382**	**0.0%**	**-597**	**-19.3%**	**64,300**	**0.7%**	**44,537**	**-2.5%**	**18,751**	**0.8%**	**-8,777**	**38.6%**	**33.8%**
Other banks	17,373	-2.3%	3,611	1.7%	9,315	1.0%	10,022	-5.2%	2,136	1.7%	117	19.7%	16.8%
Total	**88,755**	**-0.5%**	**3,014**	**7.3%**	**73,615**	**0.8%**	**54,559**	**-3.0%**	**20,887**	**0.9%**	**-8,660**	**36.2%**	**31.7%**

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