

Official exchange KZT/US\$ rate on 1 July 2012 – 149.42

Summary

Economy

- GDP increased by 5.6% in January-June 2012 based on preliminary date
- Inflation at 4.9%

Banking sector

- Standard & Poor's Ratings Services revised its outlook on Kazkommertsbank and affirmed its ratings

Kazakh Banking Sector Developments

P&L

The net loss after tax of Kazakhstan's commercial banks in June 2012 amounted to US\$ 5,919 million, an increase from US\$ 5,897 million last month, due to faster growth in expenses than in earnings, primarily due to increase in interest expense on customer accounts.

Kazakh commercial banks' aggregate earnings amounted to US\$ 12,955 million up from US\$10,524 in May 2012. The aggregate expenses of the banking system (including corporate tax) were US\$ 18,874 million, the majority of which were provision charges and other expenses, which constituted 35.5% and 28.3% of total expenses, respectively.

CAPITAL

The Kazakh banking sector's aggregate capital decreased to US\$ 2,758 million as of 1 July 2012 from US\$ 2,929 million as of 1 June 2012, mainly due to changes in revaluations through capital.

ASSETS

Aggregate bank assets stood at US\$ 90,179 million, compared to US\$ 89,693 million last month.

The share of loans to customers decreased to 52.8%. The share of the securities portfolio decreased to 12.9%. The share of highly liquid assets (cash, precious metals and correspondent accounts) increased from 13.7% to 15.1% due to decrease in correspondent accounts. The share of funds placed with the National Bank within total assets decreased to 1.1% in June from 1.6% in May while the share of inter-bank loans and deposits was flat at 2.3%.

According to the FSA, loans that were at least 90 days overdue decreased from 31.7% in May to 30.9% as at 1 July 2012. The loan loss provisioning rate slightly increased from 35.9% to 36.0% in June 2012.

LIABILITIES

Aggregate bank liabilities decreased to US\$ 87,421 million from US\$ 87,764 million in May 2012.

The structure of liabilities has not changed significantly. The major funding sources are customer accounts with a share of 65.3% of the total liabilities, compared to 65.5% in May 2012.

Customer accounts increased by 0.5% or US\$ 261 million to US\$ 57,122 million, due to the growth of both retail and corporate deposits.

A major inflow of total deposits among top 10 banks was seen in ATF (+12.1%) and Sberbank (+4.3%), while an outflow of deposits was seen in KKB (-4.7%), Eurasian (-1.0%) and Tsesna (-0.7%).

The sector's net loans-to-deposits ratio decreased from 83.7% in May 2012 to 83.4% in June 2012.

Major events in the banking sector

- **31 July.** Standard & Poor's Ratings Services revised its outlook on Kazkommertsbank to negative from stable. The 'B+' long-term and 'B' short-term counterparty credit ratings were affirmed.

The main reason for this was a change of covering analyst, as was explained to the Bank.

- **25 July.** Standard&Poor's affirmed Delta Bank's ratings at B/B; outlook Stable.
- **23 July.** Standard&Poor's affirmed Bank RBK's ratings at B-/C; outlook Stable.
- **17 July.** Tsesna Bank will create a subsidiary to manage distressed assets.
- **12 July.** The National Bank suspended Bank RBK's license in part of taking deposits and opening accounts for individuals for the period greater than 6 months.

Major developments in Kazakhstan's economy

INFLATION

In June 2012, inflation in Kazakhstan was 0.3%. The prices of food and non-food products both increased by 0.2%, while paid services increased by 0.4%. Annual inflation (June 2012 to June 2011) was 4.9%, and the prices for food products increased by 3.6%, for non-food products by 4.6%, and for paid services by 7.1%.

INDUSTRIAL PRODUCTION

The volume of industrial production in June 2012 compared to June 2011 was 1.6%. The real volume index was 104.4% in the processing industry; the mining industry growth was 99.8%.

UNEMPLOYMENT

The unemployment rate in June 2012 was 5.2%. The number of unemployed people in June 2012 was 470,600. The number of unemployed people registered with authorised employment bodies in June 2012 was 0.7% of the economically active population. The hidden unemployment rate in June 2012 was 0.3% of the economically active population.

INTERNATIONAL RESERVES

In June 2012 the net international reserves (including the net international reserves of the National Bank and National Fund's assets in foreign currency) decreased by 2.5%, to US\$83.2 billion. The assets of the National Fund decreased by 0.4% in June 2012 to US\$51.4 billion. The net international reserves of the National Bank based on current prices decreased by 5.8% to US\$31.8 billion. The net currency reserves in June 2012 decreased by 7% to US\$27.2 billion, while assets held in gold increased by 1.7% to US\$5.1 billion.

MONEY SUPPLY

The money supply in June 2012 increased by 0.7% to KZT 10,406 billion. The amount of currency in circulation increased by 2.9% to KZT 1,389 billion. The reserve money in June 2012 increased by 4.5% to KZT 3,455 billion. The narrow reserve money (money supply less term deposits of the banks with the National Bank) increased by 6.9% to KZT 3,311 billion.

News on Kazakhstan's economy:

- **23 July.** Average weighted nominal income on pension assets for the last 12 month, including June 2012, was 1.57% compared with inflation of 4.9%.
- **13 July.** Number of real estate transaction in January-June 2012 increased by 12% to 77,822 compared to the same period in 2011. In June 2012 number of real estate transactions was 14,939 or 3.7% increase compared to May 2012.
- **12 July.** Damu Entrepreneurship Development Fund financed 12,574 borrowers for total amount KZT638.3 billion during the last 5 years. The Fund placed KZT311.1 billion in 16 banks and 4 leasing companies under the government stabilization programme.
- **10 July.** Prices per 1 sq.m. of new housing in Kazakhstan increased by 1.3% MoM to KZT164,498. Prices per 1 sq.m. of secondary housing increased by 1.6% MoM to KZT120,761.
- **3 July.** Restructuring of Astana Finance is planned for completion at the beginning of October 2012. On 29 June 2012 local and foreign creditors of the company approved the restructuring plan.

Annex 1

Kazakhstan's key macroeconomic indicators

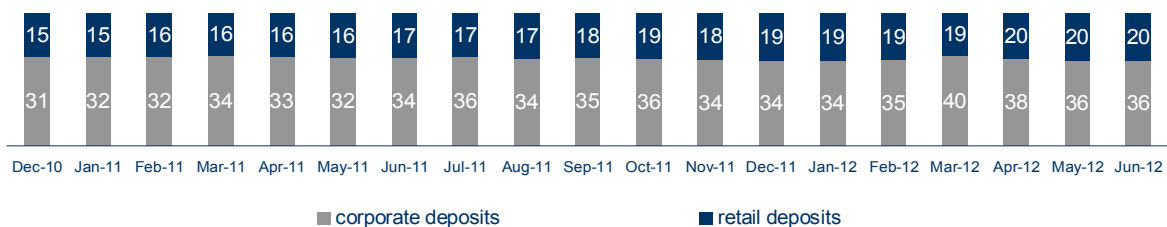
	2007	2008	2009	2010	2011	Jun 12
Domestic economy and financial system						
Real GDP growth, %	108.9	103.2	101.2	107.0	107.5	105.6*
GDP, US\$ million	106 816	131 713	107 197	145 854	183 969	-
Production, % YoY	104.5	102.1	101.7	110.0	103.5	101.6
Unemployment rate, %	7.3	6.6	6.5	5.5	5.4	5.2
CPI, %	118.8	109.5	106.2	107.8	107.4	104.9
Monetary supply M3, US\$ million	38 486	51 894	49 754	57 942	65 708	69 640
Monetary base (reserve money), US\$ million	12 171	12 629	16 510	17 443	19 111	23 121
Real exchange rate	120.30	120.77	148.46	147.50	148.40	149.42
Official refinancing rate, %*	11.0	9.5	7.0	7.0	7.5	6.0
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	-
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	4 429
Balance of payments						
Current account balance, US\$ million	-8 226	6 978	-3 408	4 319	14 110	3 794*
Current account balance, % of GDP	-7.7	5.3	-2.6	3.0	7.4	-
Capital and finance account balance, US\$ million	8 366	1 219	5 554	416	13 815	2 079*
Capital and finance account balance, % of GDP	7.8	0.9	5.2	0.3	7.2	-
Imports, US\$ million	33 260	38 452	28 672	31 956	47 263	22 034*
Exports, US\$ million	48 351	71 971	43 886	60 838	88 470	9 739*
Foreign assets and liabilities						
Gross foreign debt, US\$ million	96 914	107 713	113 229	119 242	123 848	129 294*
Gross foreign debt, % of GDP	92.4	81.3	98.6	45.2	34.4	34.4*
National Bank's Net International Reserves, US\$ thousands	17 629	19 872	23 218	27 723	28 762	31 801
National Fund	21 006	27 486	24 368	30 578	43 693	51 365
National Fund and international reserves	38 635	47 358	47 586	58 301	72 455	83 166

* Jan-Mar 2012 preliminary data

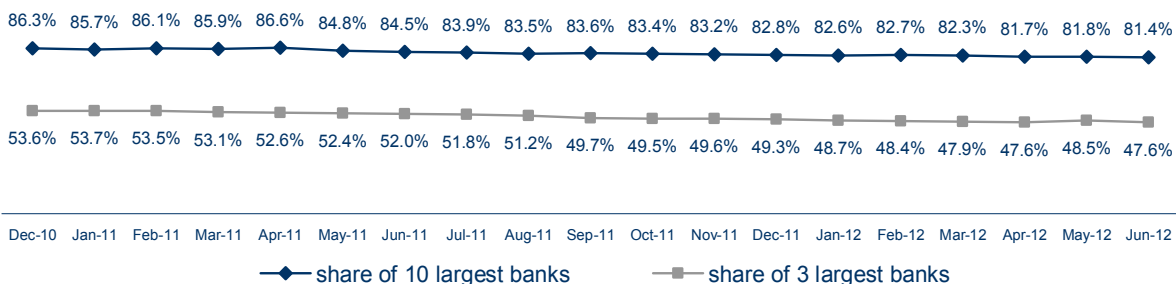
Banking sector indicators

	2006	2007	2008	2009	2010	June 2012
Commercial banks (number)	33	35	37	38	39	38
Bank branches (number)	1 813	2 381	2 546	2 299	2 246	2 262
Major indicators of the banking sector, US\$ million						
Assets	69 859	97 129	98 432	77 837	81 614	90 179
Capital	6 854	11 846	12 026	-6 601	8 967	2 758
Loans	47 181	73 718	76 534	64 926	60 627	73 334
Provisions for loans	2 342	4 337	8 491	24 458	18 995	26 406
- % of total loans	5.0	5.9	11.1	37.7	30.9	36.0
Deposits	24 979	32 451	38 084	40 441	46 850	57 122
Net profit	801	1 806	89	-19 225	9 904	-5 919
Profitability ratios, %						
NIM	3.3	5.2	5.8	3.1	3.0	3.8
RoAA	1.1	1.9	0.1	11.9	0.12	-
RoAE	11.7	15.3	0.7	-	1.02	-
Banking sector and the economy, %						
Assets / GDP	87.5	90.9	74.6	68.0	61.9	42.7
Loans / GDP	59.1	69.0	58.0	56.7	46.5	34.2
Deposits / GDP	31.3	30.4	28.9	37.1	35.2	26.9

Trends in the deposit base, US\$ billion



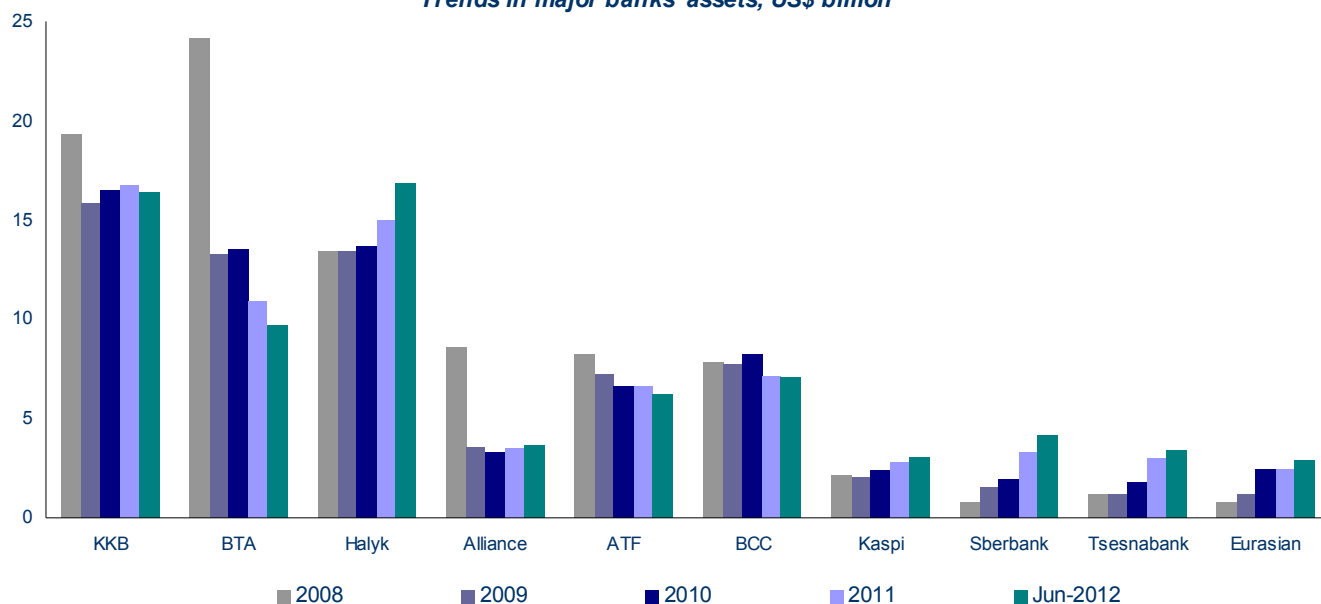
Concentration of banking system assets



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

Bank	Assets		Equity		Loans to customers		Total deposits		Retail deposits		Net profit	Reserves	90 days overdue loans	
	US\$ mln	May/Apr	US\$ mln	May/Apr	US\$ mln	May/Apr	US\$ mln	May/Apr	US\$ mln	May/Apr			US\$ mln	% of gross loans
KKB	16,444	-2.0%	2,987	0.4%	15,853	1.4%	9,135	-4.7%	3,920	1.2%	5	36.9%	24.3%	
Halyk	16,820	1.2%	1,872	-8.4%	9,312	0.4%	12,094	1.2%	4,184	-0.5%	177	23.6%	18.8%	
BTA	9,662	0.1%	-8,118	1.9%	13,853	0.8%	4,488	0.8%	1,727	5.3%	-9,178	85.8%	78.6%	
BCC	7,078	1.4%	567	0.3%	5,571	1.7%	4,659	1.5%	2,554	1.0%	7	16.2%	12.1%	
ATF	6,221	5.5%	405	-0.6%	5,456	0.1%	3,586	12.1%	1,231	9.7%	-19	21.5%	40.3%	
Sberbank	3,657	1.5%	82	8.6%	3,711	0.6%	2,139	0.6%	942	2.5%	-2	44.8%	1.7%	
Alliance	4,147	6.5%	533	28.2%	2,994	1.9%	2,994	4.3%	610	3.9%	36	5.5%	51.1%	
Tsesnabank	3,402	-1.3%	284	3.0%	2,567	-3.1%	2,746	-0.7%	851	4.4%	49	3.7%	3.5%	
Kaspi	3,078	3.1%	356	1.7%	2,675	3.3%	2,294	0.5%	1,790	0.5%	47	18.0%	17.1%	
Eurasian	2,927	5.6%	278	19.7%	2,149	6.5%	1,769	-1.0%	527	1.0%	23	9.0%	7.1%	
Top 10	72,128	1.4%	-755	20.1%	64,141	1.0%	45,904	0.6%	18,337	1.9%	-8,854	38.3%	33.1%	
Other banks	18,051	2.3%	3,513	-0.4%	9,193	4.7%	10,718	5.3%	2,080	2.2%	83	19.7%	15.7%	
Total	90,179	1.6%	2,758	-4.9%	73,334	1.5%	56,622	1.5%	20,417	1.9%	-8,771	36.0%	30.9%	

Trends in major banks' assets, US\$ billion



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