

Official exchange KZT/US\$ rate on 1 October 2012 – 149.86

**Summary**

**Economy**

- GDP growth forecast for Kazakhstan for 2012 decreased to 5.4%
- Sovereign and government guaranteed debt in January-September 2012 increased by 11.5%

**Banking sector**

- 15 Kazakh banks are planning to transfer their distressed assets to their subsidiaries for the total amount of KZT800 billion
- As a result of the completion of BTA restructuring, Samruk Kazyna will hold 95% of its shares

**Kazakh Banking Sector Developments**

**P&L**

The net loss after tax of Kazakhstan's commercial banks in September 2012 amounted to US\$ 5,714 million, a decrease from US\$ 5,795 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\$ 20,693 million up from US\$17,319 in August 2012. The aggregate expenses of the banking system (including corporate tax) were US\$ 26,407 million, the majority of which were provision charges and other expenses, which constituted 38.8% and 20.6% of total expenses, respectively.

**CAPITAL**

The Kazakh banking sector's aggregate capital increased to US\$ 3,134 million as of 1 October 2012 from US\$ 3,014 million as of 1 September 2012, mainly due to increase in reserve capital.

**ASSETS**

Aggregate bank assets stood at US\$ 89,716 million, compared to US\$ 88,755 million last month.

The share of loans to customers increased to 54.4%. The share of the securities portfolio increased to 13.3%. The share of highly liquid assets (cash, precious metals and correspondent accounts) decreased from 11.3% to 11.2% due to decrease in correspondent accounts. The share of funds placed with the National Bank within total assets decreased to 0.7% in August and the share of inter-bank loans and deposits increased to 4.6%.

According to the FSA, loans that were at least 90 days overdue increased from 30.8% in August to 30.9% as at 1 October 2012. The loan loss provisioning rate decreased from 36.2% to 35.8% in September 2012.

**LIABILITIES**

Aggregate bank liabilities decreased to US\$ 86,582 million from US\$ 85,741 million in August 2012.

The structure of liabilities has not changed significantly. The major funding sources are customer accounts with a share of 64.7% of the total liabilities, compared to 64.4% in August 2012.

Customer accounts increased by 1.5% or US\$ 835 million to US\$ 56,041 million, due to the increase in both retail and corporate deposits.

A major outflow of total deposits among top 10 banks was seen only in Halyk (-3.8%), while a major inflow of deposits was seen in ATF (+5.9%), Centercredit (+5.3%) and KKB (+3.9%).

The sector's net loans-to-deposits ratio increased from 86.9% in August 2012 to 87.0% in September 2012.

**Major events in the banking sector**

- **23 October.** Standard and Poor's confirmed a national scale credit rating of "kzBBB-" for JSC Kazkommertsbank.
- **17 October.** 15 Kazakh banks are planning to transfer their distressed assets to their subsidiaries for the total amount of KZT800 billion or 9% of their aggregate loan portfolio, said deputy CEO of the National Bank Mr. Bissengali Tajiyakov.
- **11 October.** The possibility of merger of Alliance and Temir Bank is still being discussed, said deputy CEO of Samruk Kazyna Ms. Elena Bakhmutova.
- **11 октября.** As a result of the completion of BTA restructuring, Samruk Kazyna will hold 95% of its shares, said deputy CEO of Samruk Kazyna Ms. Elena Bakhmutova.

## Major developments in Kazakhstan's economy

### INFLATION

In September 2012, inflation in Kazakhstan was 0.4%. The prices of food products and for non-food products increased by 0.4% and 0.2%, respectively, while the prices for paid services increased by 1.3%. Annual inflation (September 2012 to September 2011) was 5%, and the prices for food products increased by 4.4%, for non-food products by 3.4%, and for paid services by 7.5%.

### INDUSTRIAL PRODUCTION

The volume of industrial production in September 2012 compared to September 2011 was 0.5%. The real volume index was 100.6% in the processing industry.

### UNEMPLOYMENT

The unemployment rate in September 2012 was 5.3%. The number of unemployed people in September 2012 was 475,300. The number of unemployed people registered with authorised employment bodies in September 2012 was 0.6% of the economically active population. The hidden unemployment rate in September 2012 was 0.3% of the economically active population.

### INTERNATIONAL RESERVES

In September 2012 the net international reserves (including the net international reserves of the National Bank and National Fund's assets in foreign currency) increased by 2%, to US\$85 billion. The assets of the National Fund increased by 2.1% in September 2012 to US\$55.4 billion. The net international reserves of the National Bank based on current prices increased by 1.8% to US\$29.6 billion. The net currency reserves in September 2012 increased by 0.5% to US\$24.1 billion, while assets held in gold increased by 7.1% to US\$6.0 billion.

### MONEY SUPPLY

The money supply in September 2012 increased by 1.8% to KZT 10,515 billion. The amount of currency in circulation increased by 1.2% to KZT 1,422 billion. The reserve money in September 2012 increased by 5.1% to KZT 2,953 billion. The narrow reserve money (money supply less term deposits of the banks with the National Bank) increased by 5.7% to KZT 2,857 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:

- **29 October.** Sovereign and government guaranteed debt in January-September 2012 increased by 11.5% to \$25.2 billion compared to \$22.8 billion as at the beginning of the year. The sovereign debt includes government debt, debt of the National Bank and local authorities.
- **23 October.** Forecast for GDP growth in Kazakhstan has been decreased to 5.4% in 2012 based on economic trends since the beginning of the year. The government expects growth in industrial production at 2.7% compared to 3.6% earlier. Export will be at US\$96.2 billion, which is US\$8.3 billion higher compared to earlier forecasts. Import will be at US\$48.4 billion. Inflation is expected to remain between 6-8%.
- **15 October.** Corporate income tax in Kazakhstan will be reduced from current 20% to 15% in 2014.
- **11 October.** The National Bank established a subsidiary for management of gold and currency reserves of the National Bank and the National Fund. The major objectives of the company include increased efficiency in asset management and increased long-term return on the assets. The company will invest in traditional and alternative assets at international financial markets with a time horizon of 10-20 years.
- **9 October.** Prices per square meter of new residential housing in Kazakhstan in September 2012 increased by 0.7% to KZT168,568.

Annex 1

## Kazakhstan's key macroeconomic indicators

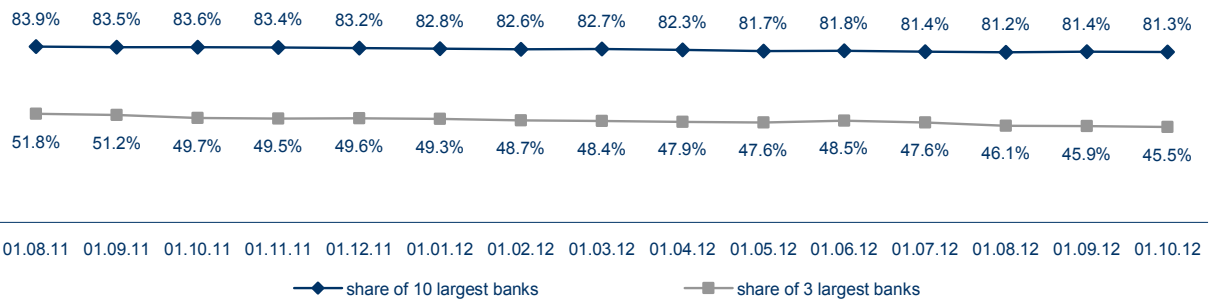
	2007	2008	2009	2010	2011	Sept 12
<b>Domestic economy and financial system</b>						
Real GDP growth, %	108.9	103.2	101.2	107.0	107.5	105.6*
GDP, US\$ million	106 816	131 713	107 197	145 854	183 969	83 813*
Production, % YoY	104.5	102.1	101.7	110.0	103.5	100.5
Unemployment rate, %	7.3	6.6	6.5	5.5	5.4	5.3
CPI, %	118.8	109.5	106.2	107.8	107.4	105.0
Monetary supply M3, US\$ million	38 486	51 894	49 754	57 942	65 708	70 164
Monetary base (reserve money), US\$ million	12 171	12 629	16 510	17 443	19 111	19 706
Real exchange rate	120.30	120.77	148.46	147.50	148.40	149.86
Official refinancing rate, %*	11.0	9.5	7.0	7.0	7.5	5.5
<b>State finance</b>						
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*
<b>Balance of payments</b>						
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*
<b>Foreign assets and liabilities</b>						
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	29 557
National Fund	21 006	27 486	24 368	30 578	43 693	55 413
National Fund and international reserves	38 635	47 358	47 586	58 301	72 455	84 970

\* Jan-Jun 2012

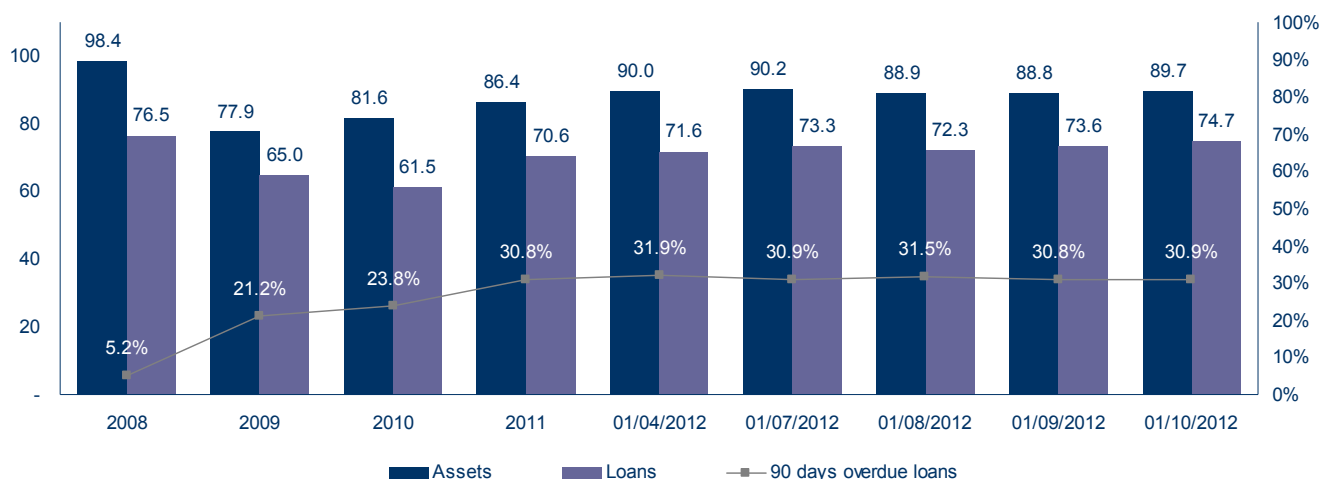
## Banking sector indicators

	2008	2009	2010	2011	Sept. 2012
Commercial banks (number)	37	38	39	38	38
<b>Major indicators of the banking sector, US\$ million</b>					
<b>Assets</b>	<b>98 432</b>	<b>77 837</b>	<b>81 614</b>	<b>86 400</b>	<b>89 716</b>
Capital	12 026	-6 601	8 967	8 797	3 134
<b>Gross loans</b>	<b>76 534</b>	<b>64 926</b>	<b>60 627</b>	<b>70 370</b>	<b>74 706</b>
Provisions for loans	8 491	24 458	18 995	22 480	26 748
- % of total loans	11.1	37.7	30.9	32.0	35.8
<b>Deposits</b>	<b>38 084</b>	<b>40 441</b>	<b>46 850</b>	<b>53 125</b>	<b>56 041</b>
<b>Net profit</b>	<b>89</b>	<b>-19 225</b>	<b>9 904</b>	<b>-241</b>	<b>-5 714</b>
<b>Profitability ratios, %</b>					
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
<b>Banking sector and the economy, %</b>					
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



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

Bank	Assets		Equity		Loans to customers		Total deposits		Retail deposits		Net profit	Reserves	90 days overdue loans
	US\$ mln	Sept /Aug	US\$ mln	Sept/A ug	US\$ mln	Sept/A ug	US\$ mln	Sept /Aug	US\$ mln	Sept/A ug	US\$ mln	% of gross loans	% of gross loans
<b>KKB</b>	16,512	2.4%	3,029	0.7%	15,987	1.6%	9,153	3.9%	4,014	1.2%	7	37.5%	26.5%
Halyk	14,723	-0.7%	1,942	3.0%	9,017	1.3%	9,908	-3.8%	4,223	1.7%	309	24.2%	19.8%
BTA	9,602	-0.8%	-8,275	1.0%	13,845	0.3%	4,490	0.6%	1,818	1.8%	-9,332	86.3%	72.6%
BCC	7,164	3.4%	570	0.2%	5,597	1.2%	5,075	5.3%	2,566	0.3%	13	16.4%	9.4%
ATF	6,551	-1.0%	485	-0.9%	5,320	-0.4%	3,852	5.7%	1,328	2.8%	-23	22.1%	43.3%
Sberbank	4,738	3.7%	579	3.1%	3,260	3.0%	3,342	2.7%	663	2.4%	62	5.6%	1.6%
Alliance	3,763	2.9%	106	2.6%	3,851	2.7%	2,172	1.0%	979	0.7%	-9	43.5%	50.2%
Tsesnabank	3,619	0.5%	338	1.6%	2,813	3.1%	2,974	3.0%	926	3.6%	70	3.5%	3.3%
Kaspi	3,341	4.5%	392	9.1%	2,974	3.3%	2,405	3.1%	1,925	2.5%	84	18.0%	15.4%
Eurasian	2,955	1.6%	296	2.6%	2,408	2.7%	1,689	-5.4%	566	-0.5%	42	8.2%	6.4%
<b>Top 10</b>	<b>72,163</b>	<b>1.3%</b>	<b>-538</b>	<b>-9.8%</b>	<b>65,072</b>	<b>1.4%</b>	<b>45,060</b>	<b>1.4%</b>	<b>19,008</b>	<b>1.6%</b>	<b>-8,776</b>	<b>38.3%</b>	<b>33.2%</b>
Other banks	17,554	1.2%	3,672	1.9%	9,634	3.6%	10,234	2.3%	2,167	1.6%	151	19.1%	16.0%
<b>Total</b>	<b>89,716</b>	<b>1.3%</b>	<b>3,134</b>	<b>4.2%</b>	<b>74,706</b>	<b>1.7%</b>	<b>55,293</b>	<b>1.5%</b>	<b>21,175</b>	<b>1.6%</b>	<b>-8,626</b>	<b>35.8%</b>	<b>30.9%</b>

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