

Official exchange KZT/US\$ rate at 1 September 2009 – 150.71

### Summary

- The inflation rate in August 2009 was 0.2%, and 4.3% YTD
- The National Bank decided to change refinancing rate more slowly
- The FSA introduced new minimum capital requirements from 1 October 2009

### News on Kazkommertsbank:

- **29 September.** TS Engineering Group completed construction of Bukhar Zhyrau Towers residential complex, which has been built with the support of the Samruk-Kazyna National Welfare Fund and Kazkommertsbank. The total cost of the project was US\$125 million, of which US\$33.3 million was allocated by Samruk-Kazyna and US\$29.7 million by Kazkommertsbank.
- **25 September.** The training course for new employees of Kazkommertsbank was named as the best in the 2008 Russian competition to discover the best distant-learning course created with CourseLab software. According to the jury, the Bank's course demonstrated quality design and unified style as well as successful animation.
- **24 September.** Global Finance magazine has named Kazkommertsbank as The Best Bank in Kazakhstan in 2009. The award is part of an annual survey of the «Best Emerging Market Banks». The selection criteria include profitability, asset growth, strategic relations, competitiveness and innovative products as well as client service.
- **22 September.** Kazkommertsbank has allocated KZT 2.4 billion (US\$15.9 million) of its own resources to extend the Government's mortgage-refinancing programme. The Bank wants to extend the advantages of the scheme to additional applicants who stood to lose out after the funding allocated to financing of the programme by the National Wealth Fund Samruk-Kazyna had been fully employed. By extending the programme, Kazkommertsbank will be able to refinance the mortgages of a further 400 residential borrowers from its own resources under terms similar to those of the Government-backed programme.
- **8 September.** Kazkommertsbank announced that during the period from October 2007 to September 2009 it bought back US\$76m of its due November 2009 Eurobond. KKB purchased US\$75,965,000 of bonds (nominal value) at an average price of 91.8.

### Kazakh banking sector developments:

The net loss of Kazakhstan's commercial banks amounted to US\$17,242 million in the first eight months of 2009. The Kazakh banking sector's aggregate capital was also negative, and amounted to US\$ – 5,092 million. The major reason for this was a decrease in the capital of BTA Bank and Alliance Bank. The sector's aggregate Capital Adequacy Ratio (excluding BTA Bank and Alliance Bank) was 10.6%.

Aggregate bank liabilities increased by just 1.8% during August. Customer accounts increased by 3.4% (US\$1,251 million) driven mainly by retail deposits. There were decreases in loans from government and financial institutions totaling US\$120 million.

Thanks to the increase in the deposit base, the loans-to-deposits ratio decreased from 176.1% in July to 170.5% in August. The share of retail deposits in total bank liabilities increased from 12.4% in July to 13.8% in August.

Aggregate bank assets slightly decreased during August, by 0.1%, and stood at US\$80,361 million. Highly liquid assets constituted 9.7% of total assets (8.4% as of 31 July 2009). This increase was mainly due to an increase in Nostro accounts (19.3% or US\$1,013m million) and cash (2.2%).

The net loan portfolio of the banks amounted to US\$43,408 million, a decrease of 2.9% during August, due to an increase in provisioning. The loan loss provisioning rate was 34.32% according to the FSA, an increase of 6.6 percentage points during August. Loans that were 90 days and more overdue represented 15.78% of the total loan portfolio, an increase of 7% in absolute terms, according to FSA data. Provisions fully cover overdue loans and the coverage ratio was 218% as of 1 September, according to FSA data.

Loans and deposits to banks decreased by US\$824 million, or 9.3%, due to a decrease in overnight loans. The securities portfolio increased by 6.9%, or US\$594 million.

Kazakh commercial banks recorded a net loss of US\$17,242 million in the period January–August 2009. Provisions totaling US\$18,100 million constituted 60.7% of total expenditure.

The sector's cost-to-income ratio amounted to 54.9% as of 1 August 2009. The ratio of interest income to interest expense decreased from 185% as of YE2008 to 158.9% as at 1 September 2009. The Net Interest Margin remained at 4.1%, as at 1 September 2009.

### Major events in the banking sector:

- **1 October.** The new requirements relating to minimum capital for 2<sup>nd</sup> Tier Banks came into effect. The State Agency for Financial Regulation (AFN) has announced that starting from 1 October 2009 the minimum capital requirement for commercial banks located in Almaty and Astana, including newly established banks, will be KZT 5 billion; for residential-construction banks it will be KZT 3 billion; and for banks based outside Almaty and Astana it will be KZT 2 billion.
- **29 September.** Eurasian Development Bank (EADB) placed a five-year 7.375% US\$500 million Eurobond. The arrangers of the deal were Deutsche Bank, JP Morgan and Royal Bank of Scotland. The issue was oversubscribed more than 10 times.
- **28 September.** The IFC will purchase a 12.5% stake in Centercredit Bank. IFC will also provide a US\$85 million subordinated loan to the bank to “provide availability of financing to SMEs in Kazakhstan”. Kookmin Bank will increase its stake in Centercredit from 30.5% to at least 40.1%.
- **25 September.** The AFN and the National Bank of Kazakhstan said that it was necessary to limit the activities of micro-credit organisations and credit unions.
- **23 September.** The Ministry of Finance of Kazakhstan assigned KazPost as a placing agent for its special mid-term Treasury notes (MAOKAM).
- **23 September.** BTA Bank said that it is not excluding the possibility of selling its stake in Turkey's SekerBank.
- **18 September.** The AFN is going to strengthen the mechanisms for the protection of investors' and financial service consumers' rights, and has proposed to introduce the concept of an ombudsman in Kazakhstan.
- **18 September.** The largest Indian bank – Punjab National Bank – may become a shareholder of Kazakhstan's MetroKomBank.
- **15 September.** Kazakh banks completed the utilisation of the funds allocated to mortgage refinancing. The total amount used was KZT 120 billion.
- **15 September.** Islamic Bank of Development provided a 10-year US\$ 10 million credit line with a three-year grace period to Nurbank. These funds will be used to finance agricultural projects.
- **13 September.** The AFN says it is necessary to strengthen the regulatory control of FX liquidity in the banks. The impact of credit risk on liquidity risk will be limited by stricter requirements relating to the creation of provisions in regard to FX-denominated loans to borrowers that do not have FX-denominated earnings.
- **9 September.** The Kazakh Deposit Guarantee Fund will decrease the maximum interest rate on KZT deposits to 11.5%, from 13.5%.

### Major developments in Kazakhstan's economy:

In August 2009 **inflation** in Kazakhstan was 0.2% (inflation in August 2008 was 0.8%). August 2009 saw a decrease in the prices of food products of 0.5%, for non-food products a rise of 0.8%, and for paid services an increase of 0.6%. Inflation for the period January–August 2009 was 4.3% compared to 7.5% in January–August 2008. This slowdown in annual inflation for the first eight months of 2009 compared to the same period in 2008 was attributable to a slowdown in price increase for food products and paid services, which increased by 2.7% and 4.7%, respectively, for the period. (For of the same period in 2008 the increases were 8.7% and 7.5%, respectively). The prices for non-food products increased by 6.2%. According to estimates from the National Bank, inflation will be between 1.6% and 1.8% in the 3<sup>rd</sup> quarter of 2009, and between 3% and 3.2% in 3Q09. The estimates for 3Q09 are based on the assumption that trends in inflation will be affected by seasonal factors. It should be noted that inflation was 2.3% in 3Q08 and 1.3% in 4Q08.

The National Bank decided to change the refinancing rate at a slower rate. Due to the reduction in monthly and annual inflation that started in October 2008, the National Bank changed the refinancing rate accordingly. However, in future the National Bank does not expect such a fast decrease in inflation.

**The volume of industrial production** January–August 2009 compared to the same period in 2008 decreased by 1.5%. August 2009 saw decreased production in 11 regions of Kazakhstan. In the period January–August 2009 compared to the same period in 2008 production decreased in the processing industry (down 9.4%) and in the production and distribution of electric energy, gas and water (down 5.5%). By contrast, the mining industry saw an increase of 4%.

The number of people unemployed in August 2009 was 558,700. The **unemployment rate** in July 2009 was 6.4%. The number of people unemployed and registered with authorised employment bodies in August 2009 was 92,300, or 1.1% of the economically active population. The estimated hidden unemployment rate was 0.7% of economically active population.

In August 2009 the **net international reserves** of the National Bank based on current prices increased by 0.2% (YTD by 0.4%), to US\$19.9 billion. The effects of the sale of foreign currency on the internal currency market and Government external debt service operations were counterbalanced by the receipt of funds in foreign currency by the Government account in the National Bank. As a result, net currency reserves in August 2009 were flat (YTD decrease by 0.6%), while assets held in gold increased by 1.5% (or US\$32.8 million) due to a decrease in global prices of 1.5% (YTD growth is +9.0%). As a result, net international reserves (including the National Fund's assets in foreign currency which are equal to US\$22.6 billion) increased by 0.7%, to US\$42.5 billion (the YTD decrease is 10.2%). As a result, net international reserves (including the National Fund's assets in foreign currency which are equal to US\$23.2 billion) increased by 1.7%, to US\$43.2 billion (the YTD decrease is 8.7%). Assets of the National Fund in local currency were KZT600 billion (debt securities of Samruk-Kazyna National Welfare Fund and KazAgro).

August 2009 resulted in a decrease in **reserve money** of 4.8% (YTD increase of 69%) to KZT2,577.7 billion. The narrow money supply (money supply less term deposits of the banks with the National Bank) decreased by 2.8% in August 2009 (YTD increase of 40.2%) to KZT2,092.5 billion.

### News on Kazakhstan's economy:

- **30 September.** The Financial Supervision Agency (FSA) intends to tighten minimum share capital requirements for life insurance organisations starting from 2010.
- **25 September.** The Ministry of Industry and Trade established an Investors and Creditors Club with the participation of nine commercial banks and international institutions. The total investments confirmed by the club's participants are US\$5 billion. The funds will be used for investment projects to encourage the accelerated industrial and innovative development of Kazakhstan.

- **18 September.** The Samruk-Kazyna National Welfare Fund intends to sell its stakes in the commercial banks within three to five years.
- **16 September.** The World Bank granted a US\$48 million loan to Kazakhstan to supply electricity from the Moynakskaya power project (Almaty Oblast, Kazakhstan). The loan's tenor is 25 years with five-year grace period and is made with the sovereign guarantee of Kazakhstan.
- **14 September.** The Asian Development Bank (ADB) and the Kazakh Ministry of Finance signed a US\$500 million loan agreement provided to Kazakhstan under the Countercyclical Support Facility (CSF). The loan will be used to finance the deficit of the Republic's budget and to implement anti-crisis measures by the Government. These measures envisage the creation of additional jobs, the restructuring of commercial banks, support to small and medium-sized businesses, the implementation of infrastructure projects and support to agriculture. The tenor of the loan is five years, including a three-year grace period, with an interest rate of LIBOR+2% and a reserve commission of 0.75% per annum on the unused loan balance.

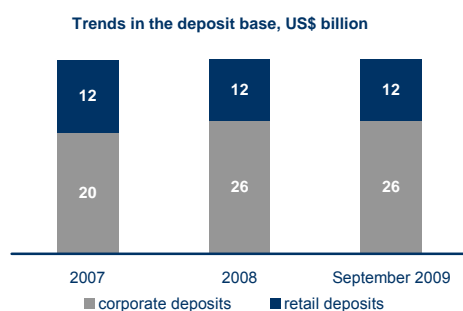
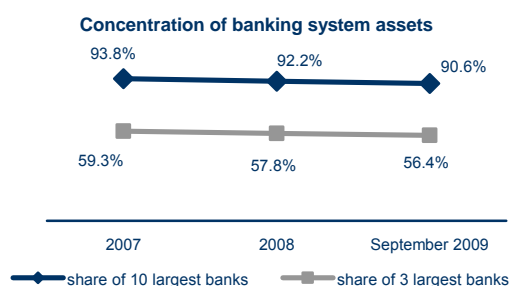
## Kazakhstan's key macroeconomic indicators

	2005	2006	2007	2008	1Q09	2Q09	August
<b>Domestic economy and financial system</b>							
Real GDP growth, %	109.7	110.7	108.9	103.2	97.8	97.7	n/a
<b>GDP, US\$ million</b>	<b>58 392</b>	<b>76 355</b>	<b>106 816</b>	<b>131 713</b>	<b>20 118</b>	<b>42 858</b>	n/a
Production, % YoY	104.6	107	104.5	102.1	95.4	107.2	98.5
Registered unemployment, %	8.1	7.8	7.3	6.6	7.0	6.6	6.4
CPI, %	107.7	108.4	118.8	109.5	102.8	103.9	104.3
Monetary supply M3, US\$ million	15 887	27 492	38 486	51 894	43 303	45 118	46 856
Monetary base (reserve money), US\$ million	5 100	11 223	12 171	12 629	14 487	15 516	17 097
Real exchange rate	130.0	133.8	120.3	120.8	151.4	150.4	150.77
Official refinancing rate, %*	8.0	9.0	11.0	9.5	9.0	8.0	7.0
<b>State finance</b>							
State budget balance, % of GDP	0.6	0.5	-1.7	-2.1	2.8	1.5	n/a
Total sovereign debt, % of GDP	3.7	4.1	2.0	1.6	2.6	1.7	n/a
Sovereign debt / State budget income, %	13.5	17.9	8.7	6.5	10	31.0	n/a
Sovereign debt, US\$ million	2 175	3 125	2 099	2 167	2080.3	2 254.9	n/a
<b>Balance of payments</b>							
Current account balance, US\$ million	-1 056	-1 999	-8 226	6 978	-1 033	-2 800	n/a
Current account balance, % of GDP	-1.8	-2.6	-7.7	5.3	-4.7	-6.5	n/a
Capital and finance account balance, US\$ million	912	16 201	8 366	1 219	3 312	1 300	n/a
Capital and finance account balance, % of GDP	1.6	21.2	7.8	0.9	15	3.0	n/a
Imports, US\$ million	17 979	24 120	33 260	38 452	-2 048	13 300	n/a
Exports, US\$ million	28 301	38 762	48 351	71 971	968	17 500	n/a
<b>Foreign assets and liabilities</b>							
Gross foreign debt, US\$ million	43 429	74 014	96 914	107 813	105 101	106 673	n/a
Gross foreign debt, % of GDP	74.4	96.9	90.7	81.9	79.8	90.9	n/a
National Bank's Gross International Reserves, US\$ thousands	7 069	19 127	17 629	19 872	19 479	18 597	20 020
National Fund	8 074	14 092	21 006	27 486	22 462	23 642	23 222
National Fund and international reserves	15 143	33 219	38 635	47 358	41 941	42 239	43 242

\* From 4 September 2009 the refinancing rate was reduced to 7.0%

### Banking sector indicators\*

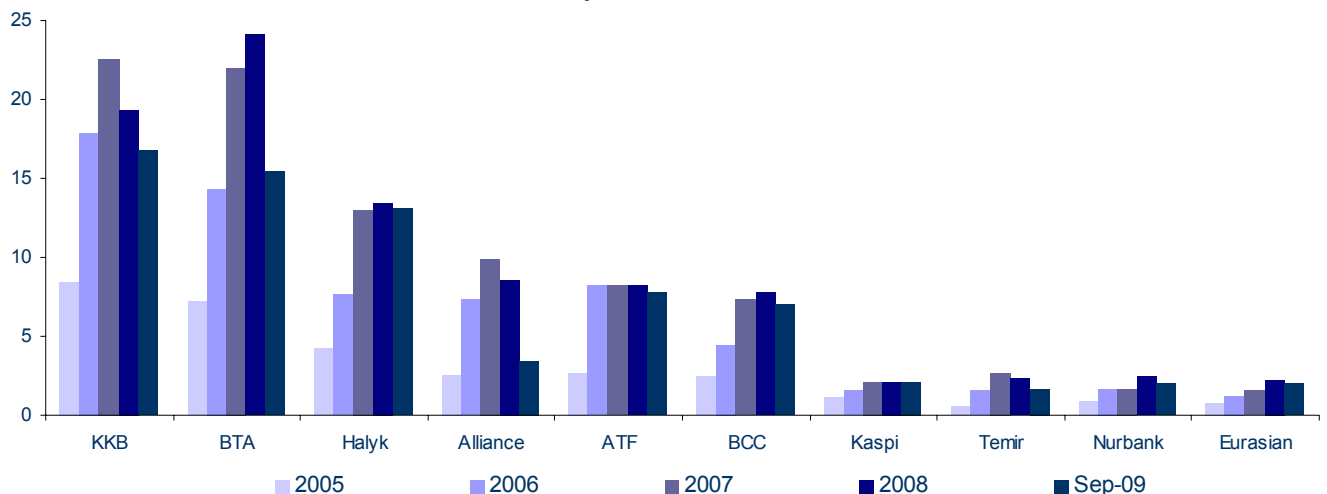
	2005	2006	2007	2008	September 2009
Commercial banks (number)	34	33	35	37	37
Bank branches (number)	1 730	1 813	2 381	2 546	2 350
<b>Major indicators of the banking sector, US\$ million</b>					
<b>Assets</b>	<b>33 701</b>	<b>69 859</b>	<b>97 129</b>	<b>98 432</b>	<b>80 361</b>
Capital	3 297	6 854	11 846	12 026	-5 092
Net profit	538	801	1 806	89	-17 242
<b>Loan portfolio</b>	<b>22 869</b>	<b>47 181</b>	<b>73 718</b>	<b>76 534</b>	<b>67 411</b>
Provisions for loans	1 276	2 342	4 337	8 491	23 077
- % of total loans	5.6	5.0	5.9	11.1	34.2
<b>Customer deposits</b>	<b>12 471</b>	<b>24 979</b>	<b>32 451</b>	<b>38 084</b>	<b>38 632</b>
Including retail deposits	4 455	8 143	12 035	12 421	12 347
<b>Profitability ratios, %</b>					
NIM	3.7	3.3	5.2	5.8	4.1
RoAA	1.6	1.1	1.9	0.1	убыток
RoAE	16.3	11.7	15.3	0.7	убыток
<b>Banking sector and the economy, %</b>					
Assets / GDP	60.6	87.5	90.9	74.6	71.8
Loans / GDP	41.1	59.1	69.0	58.0	60.3
Deposits / GDP	22.4	31.3	30.4	28.9	34.5



Major indicators of the largest Kazakh banks as at 1 September 2009

Bank	Assets		Equity		Loans to customers		Deposits		Deposits (without SPV)		Retail deposits		Net profit	Reserves
	US\$ mln	Aug/ Jul	US\$ mln	Aug/ Jul	US\$ mln	Aug/ Jul	US\$ mln	Aug/ Jul	US\$ mln	Aug/ Jul	US\$ mln	Aug/ Jul	US\$ mln	% of loans
BTA	15 430	-5.04%	-7 948	17.3%	17 311	-0.56%	9 381	-1.05%	4 043	-2.85%	1 068	-3.47%	-12 113	70.5%
KKB	16 761	1.35%	1 764	2.6%	16 922	0.17%	12 279	0.81%	7 462	1.03%	2 053	1.91%	1	23.0%
Halyk	13 125	-2.76%	1 481	0.3%	8 338	-0.14%	8 705	-3.55%	8 005	-0.26%	2 504	1.26%	-85	18.2%
ATF	7 789	2.09%	631	1.0%	5 907	-0.08%	3 601	5.52%	3 148	6.36%	1 366	24.45%	-4	12.6%
BCC	6 955	3.43%	599	0.6%	4 449	-2.61%	4 690	4.30%	3 674	5.53%	1 706	5.77%	16	12.6%
Alliance	3 429	-3.24%	-3 646	3.7%	4 459	-1.11%	3 656	4.37%	1 273	12.13%	382	-0.88%	-4 691	72.3%
Kaspi	2 157	1.90%	214	-1.0%	1 607	2.97%	1 270	2.56%	1 270	2.56%	528	2.51%	12	9.5%
Eurasian	1 952	-5.97%	189	0.9%	1 106	1.65%	1 285	-7.33%	1 285	-7.33%	548	0.85%	-4	5.3%
Temirbank	1 654	-12.07%	-120	-220.0%	1 822	-0.49%	1 088	-1.75%	1 088	-1.75%	155	-0.38%	-449	24.9%
Nurbank	1 993	0.82%	288	-3.4%	1 737	2.25%	1 370	2.01%	1 220	2.25%	201	8.53%	1	7.5%
<b>Subtotal</b>	<b>71 245</b>	<b>-1.37%</b>	<b>-6 548</b>	<b>29.04%</b>	<b>63 659</b>	<b>0.05%</b>	<b>47 327</b>	<b>0.32%</b>	<b>32 469</b>	<b>1.23%</b>	<b>10 512</b>	<b>4.18%</b>	<b>-17 317</b>	<b>36.0%</b>
Other banks	9 115	13.42%	1 456	1.13%	3 752	2.29%	6 256	14.54%	6 164	15.07%	1 835	100.60%	75	7.3%
<b>Total</b>	<b>80 361</b>	<b>0.11%</b>	<b>-5 092</b>	<b>40.09%</b>	<b>67 411</b>	<b>0.18%</b>	<b>53 583</b>	<b>1.80%</b>	<b>38 632</b>	<b>3.21%</b>	<b>12 347</b>	<b>12.20%</b>	<b>-17 242</b>	<b>34.4%</b>

Trends in major banks' assets, US\$ billion



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