

Official exchange KZT/US\$ rate on 1 January 2013 – 150.74

## Summary

### Economy

- Inflation in January 2013 was 0.9%, annualized – 6.6%, according to the Agency of Statistics.

### Banking sector

- The President Nazarbayev said that all funds managed by private pension funds should be transferred to a new consolidated state-owned fund.

## Kazakh Banking Sector Developments

### P&L

The net income after tax of Kazakhstan's commercial banks in December 2012 amounted to US\$ 1,439 million, compared to net loss after tax US\$ 5,661 million last month, due to the increase in other income as a result of the completion of BTA restructuring.

Kazakh commercial banks' aggregate earnings amounted to US\$ 35,247 million up from US\$25,331 in November 2012. The aggregate expenses of the banking system (including corporate tax) were US\$ 33,807 million, the majority of which were provision charges and negative revaluations, which constituted 39.3% and 19.1% of total expenses, respectively.

### CAPITAL

The Kazakh banking sector's aggregate capital increased to US\$ 13,252 million as of 1 January 2013 from US\$ 3,278 million as of 1 December 2012, due to decrease in negative reserve capital and positive earnings for the period.

### ASSETS

Aggregate bank assets stood at US\$ 92,015 million, compared to US\$ 91,077 million last month.

The share of net loans to customers increased to 55.9%. The share of the securities portfolio increased to 13.4%. The share of highly liquid assets (cash, precious metals and correspondent accounts) decreased from 10.8% to 10.6% due to decrease in correspondent accounts. The share of funds placed with the National Bank within total assets increased to 0.4% in December and the share of inter-bank loans and deposits decreased to 3.6%.

According to the FSA, loans that were at least 90 days overdue slightly increased from 29.6% in November to 29.8% as at 1 January 2013. The loan loss provisioning rate decreased from 35.2% to 34.4% in December 2012.

### LIABILITIES

Aggregate bank liabilities decreased to US\$ 78,763 million from US\$ 87,799 million in November 2012, due to decrease in loans from banks, issued debt securities and subordinated debt as a result of completion of BTA restructuring.

The structure of liabilities changed due to their decrease. The major funding sources are customer accounts with a share of 72.6% of the total liabilities, compared to 65.0% in November 2012.

Customer accounts increased by 0.3% or US\$ 158 million to US\$ 57,184 million, due to the 5% increase in retail deposits that was somewhat offset by the decrease in corporate deposits.

An outflow of total deposits among top 10 banks was seen only in BTA (-19.7%) and ATF (-2.4%), while a major inflow of deposits was seen in Kaspi (+8.7%), Tsesna (+6.0%), and Sber (+7.2%).

The sector's net loans-to-deposits ratio increased from 87.3% in November 2012 to 90.0% in December 2012.

### Major events in the banking sector

- **30 January.** Home Credit and Finance Bank (Russia) purchased 100% of Home Credit Bank (Kazakhstan) from its shareholders.
- **25 January.** Alliance Bank's NPLs decreased from 87% to 50% of loan portfolio said Chairman of the bank Mr. Maxat Kabashev.
- **22 January.** Deputy Chairman of Samruk Kazyna Fund thinks that Alliance Bank and Temir Bank's merger is economically reasonable as the banks could complement each other's strengths.
- **22 January.** The Ministry of economy and budgetary planning proposed an amendment to some legislative acts in order to remove restrictions to the banks to purchase other banks' shares.

## Major developments in Kazakhstan's economy

### INFLATION

In December 2012, inflation in Kazakhstan was 0.6%. The prices of food products and for non-food products increased by 0.8% and 0.3%, respectively, while the prices for paid services increased by 0.6%. Annual inflation in 2012 was 6.0%, and the prices for food products increased by 5.3%, for non-food products by 3.5%, and for paid services by 9.3%.

### INDUSTRIAL PRODUCTION

The growth of volume of industrial production in January-December 2012 compared to same period 2011 was 0.5%.

### UNEMPLOYMENT

The unemployment rate in December 2012 was 5.3%. The number of unemployed people in December 2012 was 474,700. The number of unemployed people registered with authorised employment bodies in December 2012 was 0.4% of the economically active population.

### INTERNATIONAL RESERVES

In December 2012 the net international reserves (including the net international reserves of the National Bank and National Fund's assets in foreign currency) decreased by 1.3%, to US\$86.0 billion. The assets of the National Fund increased by 0.4% in December 2012 to US\$57.8 billion. The net international reserves of the National Bank based on current prices decreased by 4.7% to US\$27.7 billion. The net currency reserves in December 2012 decreased by 5.2% to US\$22.1 billion, while assets held in gold decreased by 2.4% to US\$6.1 billion.

### MONEY SUPPLY

The money supply in December 2012 increased by 0.5% to KZT 10,522 billion. The amount of currency in circulation decreased by 10.7% to KZT 1,528 billion. The reserve money in December 2012 increased by 7.6% to KZT 2,890 billion. The narrow reserve money (money supply less term deposits of the banks with the National Bank) decreased by 7.0% to KZT 2,831 billion.

### GDP

Real GDP growth rate was 105.2% for January-September 2012. Production of goods amounted for 42.0% of GDP, while services were 51.3%.

### News on Kazakhstan's economy:

- **1 February.** The living wage in Kazakhstan in January 2013 amounted to KZT 16,983, 1.7% higher than last month, according to the Agency of Statistics.
- **1 February.** Inflation in January 2013 was 0.9%, annualized – 6.6%, according to the Agency of Statistics.
- **30 January.** Samruk Kazyna fund is going to decrease deposits of its subsidiaries in foreign banks and banks with foreign shareholders from 24% to 10% from their total deposits with banks says Deputy Chairman Ms Elena Bakhmutova.
- **30 January.** NC Kazmunaigaz purchased 100% of shares of N Block B.V. from ConocoPhillips Petroleum Holdings and now has 75.5% subsoil use rights in the project N at Kashagan.
- **30 January.** European Bank for reconstruction and Development (EBRD) will provide US\$ 39.3 million loan to Almaty municipality for purchase of 200 new gas driven buses.
- **29 January.** The republican budget deficit in 2013 will be financed through the issuance of KZT 537.1 billion notes on the local market says the Minister of Finance Bolat Zhamishev.
- **29 January.** The state debt amounted to KZT 3,626.3 billion, 20% of which is foreign says the Minister of Finance Bolat Zhamishev.
- **29 January.** Kazakhstan takes 32nd place in the world by the amount of gold in its gold and currency reserves said Deputy Chairman of the National Bank Mr. Bisengali Tajiyakov.
- **28 January.** The Chairman of the National Bank Mr. Grigoriy Marchenko commented on the creation of state-owned pension fund consolidating all account from existing private pension funds:
  - He believes that the National Bank should not be owner and at the same time the Regulator of the fund, due to conflict of interests.
  - He also thinks that the National Bank should be managing only foreign investments of the pension fund, while the domestic investments should be managed by asset management companies
  - Mr. Marchenko believes that the creation of the consolidated pension fund will prevent the related party transactions.
  - The consolidation of pension funds under the National Bank's management could be fulfilled within three month, given the support from all government bodies.
  - Pension funds should be reorganized into asset management companies.
  - The assets of the funds should be evaluated by independent appraisers and bought from the owners of the private pension funds.
- **24 January.** The Ministry of labor and social protection together with National Bank will prepare a proposal regarding the creation of consolidated pension fund within 1 month
- **23 January.** The President Nazarbayev requested the repayment of US\$ 10 billion used for various government programmes to support the economy during crisis in 2009-2010.
- **23 January.** The President Nazarbayev said that all funds managed by private pension funds should be transferred to a new consolidated state-owned fund.
- **21 January.** Kazakhstan is planning to enter the World Trade Organization in the 2nd half of 2013 says Prime Minister Serik Akhmetov.
- **21 January.** The growth of GDP in 2013 will be at least 5%, says Prime Minister Serik Akhmetov.
- **9 January.** EBRD provided US\$ 196.5 million to the government of Kazakhstan for reconstruction and modernization of a highway from Shymkent to the border of Uzbekistan.
- **9 January.** The National Bank is not planning to change its refinancing rate till the end of 1st quarter 2013. Current rate is 5.5%.
- **8 January.** The cost of 1 sq.m. of newly constructed housing increased in December 2012 by 1.4% and amounted to KZT 172,770 (US\$ 1,146) , according to the Agency of Statistics.

Annex 1

## Kazakhstan's key macroeconomic indicators

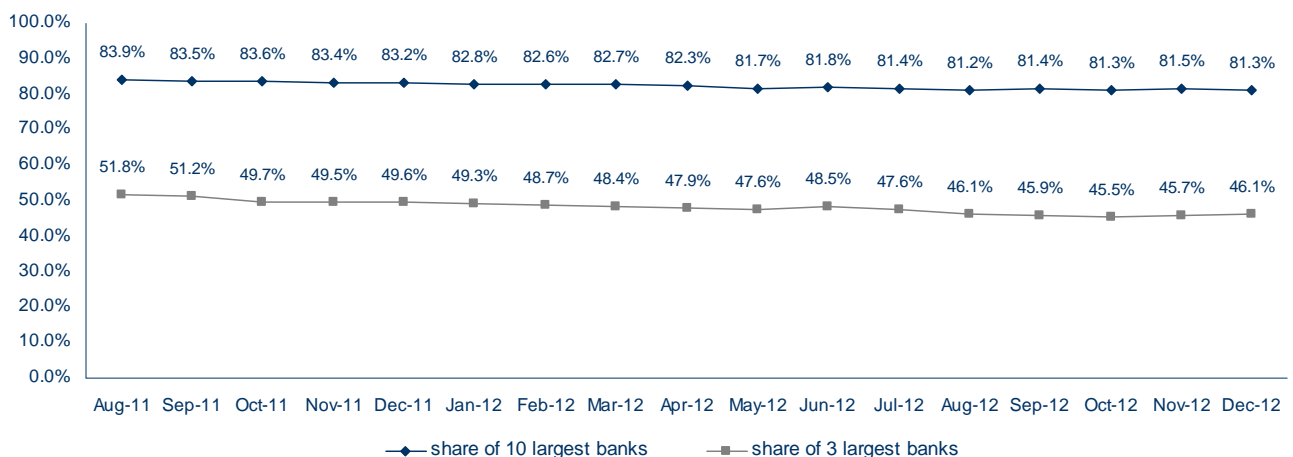
	2007	2008	2009	2010	2011	Dec. 12
<b>Domestic economy and financial system</b>						
Real GDP growth, %	108.9	103.2	101.2	107.0	107.5	105.2*
<b>GDP, US\$ million</b>	<b>106 816</b>	<b>131 713</b>	<b>107 197</b>	<b>145 854</b>	<b>183 969</b>	<b>130 849*</b>
Production, % YoY	104.5	102.1	101.7	110.0	103.5	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	105.3
Monetary supply M3, US\$ million	38 486	51 894	49 754	57 942	65 708	69 805
Monetary base (reserve money), US\$ million	12 171	12 629	16 510	17 443	19 111	19 172
Real exchange rate	120.30	120.77	148.46	147.50	148.40	150.74
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	4.1*
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	5 574*
<b>Balance of payments</b>						
Current account balance, US\$ million	-8 226	6 978	-3 408	4 319	14 110	7 787*
Current account balance, % of GDP	-7.7	5.3	-2.6	3.0	7.4	6.0*
Capital and finance account balance, US\$ million	8 366	1 219	5 554	416	13 815	-1 175*
Capital and finance account balance, % of GDP	7.8	0.9	5.2	0.3	7.2	0.9*
Imports, US\$ million	33 260	38 452	28 672	31 956	47 263	34 372*
Exports, US\$ million	48 351	71 971	43 886	60 838	88 470	69 642*
<b>Foreign assets and liabilities</b>						
Gross foreign debt, US\$ million	96 914	107 713	113 229	119 242	123 848	134 878*
Gross foreign debt, % of GDP	92.4	81.3	98.6	45.2	34.4	35.3*
National Bank's Net International Reserves, US\$ thousands	17 629	19 872	23 218	27 723	28 762	27 746
National Fund	21 006	27 486	24 368	30 578	43 693	57 766
National Fund and international reserves	38 635	47 358	47 586	58 301	72 455	85 512

\*Jan-Sept. 2012

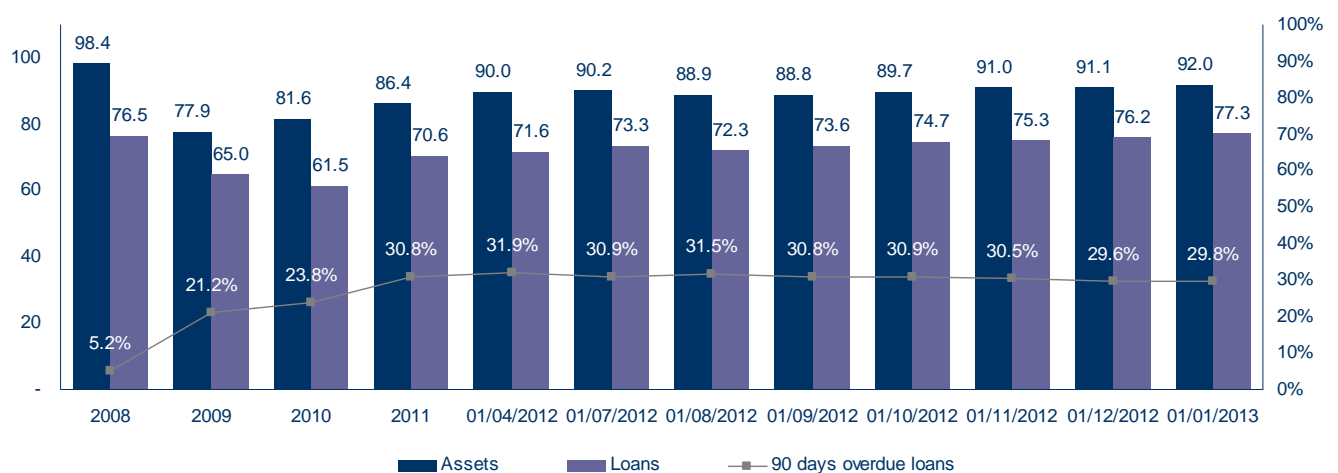
## Banking sector indicators

	2008	2009	2010	2011	Dec. 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>92 015</b>
Capital	12 026	-6 601	8 967	8 797	13 252
<b>Gross loans</b>	<b>76 534</b>	<b>64 926</b>	<b>60 627</b>	<b>70 370</b>	<b>77 329</b>
Provisions for loans	8 491	24 458	18 995	22 480	26 595
- % of total loans	11.1	37.7	30.9	32.0	34.4
<b>Deposits</b>	<b>38 084</b>	<b>40 441</b>	<b>46 850</b>	<b>53 125</b>	<b>57 184</b>
<b>Net profit</b>	<b>89</b>	<b>-19 225</b>	<b>9 904</b>	<b>-241</b>	<b>1 439</b>
<b>Profitability ratios, %</b>					
NIM	3.4	5.7	4.3	4.5	4.2
RoAA	0.1	11.9	0.12	-	2.1
RoAE	0.7	-	1.02	-	15.6
<b>Banking sector and the economy, %</b>					
Assets / GDP	74.6	68.0	61.9	44.3	43.6
Loans / GDP	58.0	56.7	46.5	36.1	36.5
Deposits / GDP	28.9	37.1	35.2	26.9	27.0

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 January 2013

Bank	Assets		Equity		Loans to customers		Total deposits		Retail deposits		Net profit	Reserves	90 days overdue loans
	US\$ mln	Dec/ Nov	US\$ mln	Dec/ Nov	US\$ mln	Dec/ Nov	US\$ mln	Dec/ Nov	US\$ mln	Dec/ Nov	US\$ mln	% of gross loans	% of gross loans
<b>KKB</b>	<b>16,937</b>	<b>-0.2%</b>	<b>3,062</b>	<b>0.3%</b>	<b>15,906</b>	<b>-0.7%</b>	<b>9,837</b>	<b>2.9%</b>	<b>4,123</b>	<b>3.2%</b>	<b>11</b>	<b>38.0%</b>	<b>25.3%</b>
Halyk	15,520	0.7%	2,009	0.7%	10,179	7.7%	10,986	1.2%	4,554	4.7%	386	21.8%	17.0%
BTA	10,073	4.9%	1,392	116.6%	13,676	-1.1%	3,590	-19.8%	1,937	4.0%	-2,317	86.5%	78.2%
BCC	7,051	-0.3%	553	-1.3%	5,651	0.6%	4,999	1.0%	2,600	4.0%	3	16.2%	9.7%
ATF	5,650	-4.0%	473	-0.2%	5,103	-2.2%	3,137	-2.5%	1,403	5.5%	-73	23.1%	42.7%
Sberbank	4,859	6.7%	585	0.4%	3,511	5.8%	3,276	7.1%	790	11.9%	90	5.16%	1.3%
Tsesnabank	4,100	2.2%	337	-1.6%	3,152	3.8%	3,423	5.8%	1,056	6.4%	72	3.9%	2.9%
Alliance	3,972	1.3%	242	9.6%	3,940	-0.8%	2,218	0.6%	1,038	-0.1%	49	41.0%	46.3%
Kaspi	3,904	9.0%	440	6.6%	3,220	2.3%	2,738	8.6%	2,117	4.9%	125	15.7%	13.5%
Eurasian	3,090	1.2%	315	0.8%	2,442	1.0%	1,961	1.1%	647	7.4%	64	8.3%	6.6%
<b>Top 10</b>	<b>75,155</b>	<b>-0.2%</b>	<b>9,408</b>	<b>18.3%</b>	<b>66,781</b>	<b>1.2%</b>	<b>46,166</b>	<b>0.3%</b>	<b>20,264</b>	<b>4.5%</b>	<b>-1,592</b>	<b>32.5%</b>	<b>37.2%</b>
Other banks	16,860	-1.0%	3,844	3.5%	10,548	3.2%	10,440	-0.3%	2,391	8.3%	229	16.9%	12.5%
<b>Total</b>	<b>92,015</b>	<b>1.0%</b>	<b>13,252</b>	<b>13.6%</b>	<b>77,329</b>	<b>1.4%</b>	<b>56,606</b>	<b>0.2%</b>	<b>22,656</b>	<b>4.9%</b>	<b>-1,363</b>	<b>34.4%</b>	<b>29.8%</b>

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